This article focuses on the Uniform Standards of Professional Appraisal Practice ((USPAP; TAF 2012a) and ad valorem appraisal. Its aim is to promote an understanding of USPAP and its application to assessors’ appraisal practice. The article reviews changes in the 2012–2013 edition of USPAP, key definitions, compliance in ad valorem practice, development and reporting of ad valorem appraisals, and other key communications from the Appraisal Standards Board (ASB) of The Appraisal Foundation (TAF).

A sidebar on page 20 describes the history of USPAP and TAF and summarizes the structure of USPAP.

2012–2013 USPAP Changes
The 2012–2013 edition of USPAP marks 25 years since Uniform Standards were first published in 1987. Over the years, USPAP has evolved in response to changes in appraisal practice. The Foreword of each edition explains the changes made since the publication of the previous edition. In the 2012–2013 edition, six changes were made and incorporated, as follows:

1. Revisions to Definitions of “Client,” “Extraordinary Assumption,” and “Hypothetical Condition,” as well as moving the definition of “Exposure Time” from Statement on Appraisal Standards No. 6 (SMT-6) to the Definitions section.

The definition of client was revised to further clarify the proper application of the term client and to facilitate in the proper identification of the Client in assignments. Adding the concept of effective date of the assignment results to the definitions of Extraordinary Assumption and Hypothetical Condition will reduce misunderstanding and misapplication of both terms. The definition of Exposure Time has been moved from SMT-6 to the Definitions section which will enhance the usability of USPAP.
2. Creation of a new Record Keeping Rule and Related Edits to the Conduct Section of the Ethics Rule.

The Board heard concerns about the location of record keeping requirements within the Ethics Rule. After exposing the concept of moving record keeping into a separate Rule, it was determined that record keeping should be a separate Rule. However, a provision was added to the Ethics Rule so that anyone who willfully or knowingly violates the Record Keeping Rule is also in violation of the Ethics Rule.


In order to assure that intended users understand the context in which the opinion of value is developed, the Board has adopted revisions to make it a clear requirement that reasonable exposure time must be reported in all assignments in which an opinion of reasonable exposure time must be developed. As clarified in the 2012–2013 edition of USPAP, exposure time must be developed when exposure time is a component of the definition for the value opinion being developed.

4. Revisions to Standards Rules 2-3, 3-6, 5-3, 6-9, 8-3, and 10-3 (signed certification statement).

The 2010–2011 edition of USPAP initiated the requirement to disclose any services regarding the subject property performed by the appraiser within the prior three years in the report certification. Another requirement of USPAP is the appraiser must disclose in the certification either the presence or absence of any current or prospective interest regarding the subject or the parties involved. To improve consistency, for the 2012–2013 edition of USPAP the Board is requiring that prior service(s) regarding the subject property be treated similarly in the certification as current/prospective interests are treated.

5. Revisions to Standards 7 and 8: Personal Property Appraisal, Development and Reporting.

The changes to Standards 7 and 8 were, in large part, the result of the work of an appointed task force made up of personal property appraisers. It had been several years since a comprehensive review had been made of Standards 7 and 8, and after a thorough review, the task force made numerous recommendations to the Board, most of which were adopted by the Board.

6. Revisions to Advisory Opinion 21, USPAP Compliance.

Advisory Opinion 21 (AO-21) contains a series of questions with responses along with illustrative examples. The illustrations in AO-21 were reviewed and updated or replaced as necessary to provide relevant guidance regarding when USPAP applies. (TAF 2012a, U-vi)

Definitions

Key USPAP definitions are as follows:

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

**Appraisal Practice:** valuation services performed by an individual acting as an appraiser, including but not limited to appraisal, appraisal review, or appraisal consulting.

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

**Mass Appraisal:** the process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for statistical testing.

**Mass Appraisal Model:** a mathematical expression of how supply and demand factors interact in a market.

**Report:** any communication, written or oral, of an appraisal, appraisal review, or appraisal consulting service that is transmitted to the client upon completion of an assignment.

**Scope of Work:** the type and extent of research and analyses in an assignment.

**Workfile:** documentation necessary to support an appraiser’s analyses, opinions, and conclusions. (TAF 2012a, U-1 to U-5)

**Standard 6: Mass Appraisal, Development and Reporting**

Standard 6 deals with the development and reporting requirements of a mass appraisal. Development is all the work that is done to complete a credible appraisal, while reporting is the communication of the appraisal. The first Comment in the Standard provides perspective on mass appraisal:

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

A mass appraisal includes:

1. identifying properties to be appraised;
2. defining market area of consistent behavior that applies to properties;
3. identifying characteristics (supply and demand) that affect the creation of value in that market area;
4. developing a model structure that reflects the relationship among the characteristics affecting value in the market area;
5. calibrating the model structure to determine the contribution of the individual characteristics affecting value;
6. applying the conclusions reflected in the model to the characteristics of the property(ies) being appraised; and
7. reviewing the mass appraisal results. (TAF 2012a, U-46)

Assessor’s Office
An assessor’s work is often misunderstood by the public, appraisers, and users of appraisal services. While assessors use the recognized methods and techniques of both single-property appraisal and mass appraisal, the uniqueness and timing of the assessor’s work can cause misunderstanding of how USPAP applies to ad valorem practice.

The person responsible for all appraisals and the work in the assessor’s office is the assessor (also called Supervisor of Assessments, Chief Assessor, Property Appraiser, and so forth). The assessor performs the work of the office through a staff that includes both clerical and appraisal personnel.

In general, the definition of value is given in statute or case law. The effective date of the appraisal and the requirements for valuation (often periodic) are specified in law or regulation. There is usually a certification of assessments for all property, a due process notice, and an appeal procedure for property owners. Often there are requirements to make copies of property record cards, sales listings, sales analyses, and other meaningful information accessible to property owners.

In appraisals for ad valorem purposes, many aspects of the appraisals are similar to single property appraisals. The key difference in mass appraisal is the size and scope of the assessor’s assignment, which may require production line methods and techniques.

Appraisal Development
An assessor should plan for a mass appraisal for ad valorem purposes. In general, the assessor is performing a mass appraisal of a universe of properties. The assessor typically values the universe of properties using Standard 6.

The assessor may develop one or several mass appraisal models. However, the assessor may decide to appraise certain properties using single-property appraisal methods under Standard 1 and Standard 2, which may be part of the revaluation, and appraise others using mass appraisal methods under Standard 6. It is up to the appraiser or assessor to decide which of the Uniform Standards to use, based on the scope of work. For most ad valorem mass appraisals, Standard 6 is used.

Essentially, an appraisal under Standard 1: Real Property Appraisal, Development is made by using a mathematical model (although it is not referred to as such in that Standard). Individual property may be valued by using one or more of the three traditional approaches to value. Examples of these models are as follows:

For the cost approach,

\[ V = RCNLD + LV \]

where

- \( V \) = value
- \( RCNLD \) = replacement cost new less depreciation
- \( LV \) = land value.

For the sales comparison approach,

\[ V = SP \pm ADJ \]

where

- \( SP \) = sale price
- \( ADJ \) = adjustment to sale price.

For the income approach,

\[ V = \frac{I}{R} \]

where

- \( I \) = sale price
- \( R \) = capitalization rate.

If Standard 1 is used to value a property, the appraiser conducts the appraisal process by applying the
steps in developing the appraisal under Standard 1. If Standard 6 is used to value property, the appraiser conducts the appraisal process by applying the steps in developing the appraisal under Standard 6. A single property or a universe of properties can be appraised by using Standard 6. The appraiser must decide which Standard will be used. Development of the appraisal is all the work necessary to produce credible assignment results.

The Appraisal Process
The appraisal process is the method by which appraisers solve appraisal problems. There are six key steps for the development and reporting of appraisals under Standards 1 and 2 or Standard 6. Although many of the Standards Rules are the same between Standards 1 and 2 and Standard 6, there are some differences. The appraiser must decide which Standard to use for the assignment and then follow the applicable Standards Rules.

The following are the six steps in the appraisal process:
1. Definition of the problem
2. Scope of work
3. Data collection and analysis
4. Application of the approaches to value
5. Reconciliation of value indicators and final value opinions

Table 1, prepared by The Appraisal Foundation (TAF 2012b, 1-21), illustrates the steps in the appraisal process. We have expanded it to also reflect the Standards or Rules applicable to each step.

Because the emphasis in this article is on the practical applications of USPAP to the assessor, the following discussion focuses on the development of a mass appraisal under Standard 6.

Standards Rules 6-1 to 6-7 cover the requirements for development of a mass appraisal. These Standards Rules follow the first five steps of the appraisal process.

The general obligations of Standard 6 are found in Standards Rule 6-1, which requires that

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

| Table 1. Six steps in the appraisal process under Standards 1, 2, and 6 |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| **Step 1. Definition of the Problem** | **Standard Rule 1-2** | **Standard Rule 6-1** |
| Identify client and other intended use | Identify the intended use | Identify effective value date | Identify the type and definition of value | Identify relevant characteristics of the property | Assignment conditions* |
| Identify the intended use | Identify effective value date | Identify the type and definition of value | Identify relevant characteristics of the property | Assignment conditions* |
| | | | | Extraordinary assumptions | Hypothetical conditions |

<table>
<thead>
<tr>
<th><strong>Step 2. Scope of Work</strong></th>
<th><strong>Competency Rule Scope of Work Rule</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Step 3. Data Collection and Analysis</strong></th>
<th><strong>Standard Rule 1-3</strong></th>
<th><strong>Standard Rule 6-3</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Analysis</strong></td>
<td><strong>Highest and Best Use Analysis</strong></td>
<td></td>
</tr>
<tr>
<td>Demand studies</td>
<td>Site as though vacant</td>
<td></td>
</tr>
<tr>
<td>Supply studies</td>
<td>Ideal improvement</td>
<td></td>
</tr>
<tr>
<td>Marketability studies</td>
<td>Property as improved</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Step 4. Application of the Approaches to Value</strong></th>
<th><strong>Standard Rule 1-4</strong></th>
<th><strong>Standard Rules 6-4, 6-5, and 6-6</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td><strong>Sales Comparison</strong></td>
<td><strong>Income Capitalization</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Step 5. Reconciliation of Value Indicators and Final Value Opinion</strong></th>
<th><strong>Standard Rule 1-6</strong></th>
<th><strong>Standard Rule 6-7</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Step 6. Report of Defined Value Opinions</strong></th>
<th><strong>Standard 2</strong></th>
<th><strong>Standard Rules 6-8 and 6-9</strong></th>
</tr>
</thead>
</table>

* Assignment conditions also include jurisdictional exceptions, assumptions, and limiting conditions
(b) not commit a substantial error of omission or commis-
sion that significantly affects a mass appraisal; and
...
(c) not render a mass appraisal in a careless or negligent
manner. (TAF 2012a, U-46)

Step 1. Definition of the Problem
The first step in the appraisal process is problem
identification, the requirements for which are found
in Standards Rule 6-2. The appraiser must identify
the following:

- Client and intended users
- Intended use
- Type and definition of value
- Effective date of value
- Relevant property characteristics
- Assignment conditions, including
  - Extraordinary assumptions
  - Hypothetical conditions.

The appraiser is required to consider these key
points in the development of an appraisal or mass ap-
praisal. The appraiser must have competency (proper
judgment, knowledge, and experience) to identify
the appraisal problem and to be able to develop an
appropriate scope of work.

When considering an assignment, an appraiser
proceeds through the nine steps of problem identifi-
cation by following Standards Rules 6-2 (a) through
6-2 (i). After analyzing and completing these nine
steps, the appraiser determines the scope of work to
produce credible results according to the Scope of
Work Rule.

Key to an acceptable scope of work is credible assignment results. To determine an acceptable scope of
work, an assessment office must evaluate the needs of the assignment when beginning or starting the ap-
praisal. An honest self-evaluation of the quality and
quantity of data and information currently possessed
or easily accessed is needed, as well as the systems
that can produce credible assignment results (Joyner
2010).

Identify the Client and Intended Users
An appraisal or mass appraisal completed by the assessor typically does not follow the same work process as
an appraisal for lending purposes. The assessor does
not necessarily receive an order for the mass appraisal
from the client. The USPAP definitions of client and intended user are as follows:

Client: the party or parties who engage, by employment or contract, an appraiser in a specific assignment;

Intended User: the client and any other party as identified, by name or type, as users of the appraisal, appraisal
review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of
the assignment. (TAF 2012a, U-2 to U-3)

Additional guidance on the applicability of the Stan-
dards is given in Advisory Opinion 32 (AO-32), Ad
Valorem Appraisal Assignments and Mass Appraisal,
which states,

In ad valorem taxation assignments, the client is typi-
cally the government or taxing authority that engages
the appraiser. As defined in USPAP, the intended users
include the client. Through communication with the
client, the appraiser may identify other intended users.
A party receiving a copy of a report in order to satisfy
disclosure requirements does not become an intended user
of the appraisal or mass appraisal unless the appraiser
identifies such party as an intended user as part of the
assignment. (TAF 2012a, A-108)

Assessors are typically employed by the client—the
local government. Sometimes a local government may
contract with a private appraisal firm to complete the
valuation. For each appraisal or mass appraisal, it is the
responsibility of the appraiser or assessor to identify
the client and intended users of the appraisal.

Statement 9, Identification of Intended Use and In-
tended Users, elaborates on the USPAP requirements
placed on the appraiser or assessor for identification
of the intended use and of intended users of an ap-
praisal or mass appraisal. The Statement clarifies that
the appraiser must have communication with the cli-
ten and determine the intended use and intended
users prior to acceptance of the assignment. This com-
unication is important in order to develop credible
assignment results and to provide an appraisal that is
meaningful and not misleading.

The assessor should be aware of the requirements
of Statement 9, as well as any statutory, regulatory,
or administrative requirements regarding clients,
intended users, or intended uses of the assignment.

The guidance on the applicability of the Uniform
Standards in AO-32 states,

A party receiving a copy of a report in order to satisfy
disclosure requirements does not become an intended user
of the appraisal or mass appraisal unless the appraiser
identifies such party as an intended user as part of the assignment. (TAF 2012a, A-110)

Therefore, a property owner receiving an assessment notice, property record card, appraisal report, or sales analysis is not an intended user of the appraisal or mass appraisal unless the property owner is identified as an intended user by the appraiser at the time of acceptance of the assignment.

This is similar to an appraisal made for lending purposes. In these assignments the client is the lender; the party applying for the loan is not normally an intended user. Yet the party applying for the loan may obtain information about the appraisal.

Identify the Intended Use
The USPAP definition of intended use is as follows:

*Intended Use: the use or uses of an appraiser’s reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.* (TAF 2012a, U-3)

Mass appraisals are generally used for ad valorem property tax purposes but may be used for other purposes. The phrasing of the intended use for an ad valorem appraisal might be, “Use of this appraisal and its conclusions is limited to the assessment of property for the administration of property taxes according to the governing laws of (name of jurisdiction).” (IAAO 2011)

Whether or not assignment results are credible is measured in the context of the intended use of the opinions or conclusions. Statement 9 should be read in detail for further clarification of intended use.

Identify the Type and Definition of Value
The appraiser or assessor must identify the type and definition of value as part of the problem identification process. For ad valorem mass appraisal assignments, the definition of value is often defined and found in statute or case law. In reporting the appraisal or mass appraisal, the appraiser must state the type and definition of value and must give the citation of the source.

Identify the Effective Date of Value
The appraiser or assessor must identify the effective date of value as part of the problem identification process. In USPAP, there are two dates: the effective date of the appraisal and the date of the report. The effective date of the appraisal establishes the context for the value opinion. The date of the report indicates the perspective of the appraiser on the market and property as of the effective date of appraisal. That is, if the effective date is after the report date, the appraiser perspective is prospective; if the effective date and the report date are contemporaneous, the perspective is current; if the effective date is prior to the report date, the perspective is retrospective.

Statement 3, Retrospective Value Opinions, should be consulted concerning this issue, because ad valorem mass appraisals are generally retrospective value opinions.

Identify the Relevant Property Characteristics
Standards Rules 6-2 (e) to 6-2 (i) address the identification of relevant property characteristics. Appraisers should review these Standards Rules in detail. Some of the key points are as follows:

- Identify the characteristics of the properties that are relevant to the type and definition of value and intended use, …

The USPAP Comment for these states,

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

- Identify the characteristics of the market that are relevant to the purpose and intended use of the mass appraisal …

- Analyze the relevant economic conditions at the time of the valuation, including market acceptability of the property and supply, demand, scarcity, or rarity; (TAF 2012a, A-77)

Identify the Extraordinary Assumptions and Hypothetical Conditions
USPAP defines extraordinary assumptions and hypothetical conditions as follows:

*Extraordinary Assumption: an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions.*

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

and

*Hypothetical Condition: a condition, directly related to a specific assignment, which is contrary to what is known*
by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (TAF 2012a, U-3)

Two examples of extraordinary assumptions in mass appraisal are as follows:

1. Property characteristics are correct
2. A property does not have environmental or mold contamination.

In the first example, the appraiser is assuming that the property characteristics are correct, but if they are found to be in error they may “alter the appraiser’s opinion.” In the second example, if an appraiser is appraising in an area where homes have been reported to have environmental contamination or mold contamination but does not know for certain if a property has contamination, the appraiser may use an extraordinary assumption that the property is free from contamination. If the property was found to have contamination, that may alter the appraiser’s opinion.

Examples of hypothetical conditions in mass appraisal could be a condition in which:

1. A vacant parcel is appraised with an improvement on the parcel.
2. A property with mold, pollution, fire damage, or the like is appraised as if the repairs or remediation has been done.
3. A large parcel of land is appraised as if it is subdivided for lots with improvement to the land completed (streets, utilities, curbs and gutters, street lights, and so on).

In the first example, the appraiser knows that the parcel is vacant but is using a hypothetical condition and appraising it as if it had an improvement. This is often done in collateral loan appraisal, and it would probably be rare for an assessor to do this since the assessor would be appraising the improvement when it is first completed.

In the second example, the assessor knows that the property has roof damage or minimal fire damage but knows that it is being repaired quickly. By using the hypothetical condition that the property was not damaged, the assessor could appraise it for the next tax year as if the condition did not exist.

In the third example, the assessor knows that the property is vacant but knows that it has been subdivided for building lots. The assessor can see that the subdivision improvements to the land are being completed (streets, utilities, curbs and gutters, street lights) but are not complete upon inspection. By using a hypothetical condition that the subdivision improvements are complete, the assessor could appraise the property as improved building lots for the next tax year.

Hypothetical conditions can be confusing because they relate to an assessor’s work. As stated, a hypothetical condition is something that is contrary to fact.

In ad valorem appraisal, many states have laws that prohibit placing property on the tax roll until it is complete. In other states, however, it may be placed on the roll for a portion of the year regardless of whether it is complete. This can be true for an entire structure, a room addition, or a remodeling.

For states in which the property is not placed on the tax roll until it is complete even though it exists, a hypothetical condition is imposed by law. If a portion of the property exists but is not complete, the property is either appraised as if unimproved (vacant) or as if the new improvements do not exist (lacking the room addition or not yet remodeled).

In contrast to other appraisal uses in which the hypothetical condition is determined between the appraiser and the client, in ad valorem appraisal the hypothetical condition most often is established by law.

Other examples of hypothetical conditions in assessment work might include improvements to encourage an action through a public policy (law) that would not subject certain improvements to taxation. A law might state that smoke detectors, fire standpipes, or fire sprinkler systems are not assessed or taxed. In other states a law might state hurricane straps and anchors, window shutters, or storm-proof glass are not to be assessed. If an assessor is appraising a property that has improvements that are not to be assessed, a hypothetical condition exists. The property has the improvement, but the assessor is not appraising it.

Another example is an enterprise zone or redevelopment district, which prohibits by law the assessment of new improvements to property within the zone for a period of years even though they exist. This would be an example in which the assessor would use a hypothetical condition.
Step 2. Scope of Work
As defined in USPAP, scope of work is “the type and extent of research and analyses in an assignment.”

Problem identification is a process of gathering and analyzing information for the purpose of making a scope of work decision. Thus, the assessor must first complete Step 1 (Definition of the Problem) before the scope of work can be established.

The assessor’s objective is to produce a credible mass appraisal. Therefore, the assessor is required to have the knowledge and experience to complete the mass appraisal assignment competently, which requires both proper judgment and performance. (TAF 2006, 76).

The minimum requirements for a scope of work are found in Standards Rule 6-2 and in the Scope of Work Rule. The three key provisions of the Scope of Work Rule are as follows:

1. Identify the problem to be solved.
2. Determine and perform the scope of work necessary to develop credible assignments results.
3. Disclose the scope of work in the report.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal. Credible assignment results require support by relevant evidence and logic. Credibility of assignment results is always measured in the context of intended use. The scope of work must include the appropriate research and analyses necessary for credible results. (TAF 2012a, U-13).

Although the Scope of Work Rule and most of the associated advice reflect a single-property appraisal perspective, the basic requirements pertain to mass appraisal as well. Therefore, “the assessor must determine annually the work to be accomplished, including valuation strategies, data to be collected, and any refinements to existing procedures” (Gloudemans and Almy 2011, 9).

The assessor is responsible for the discovery, listing, and valuation of all property within a jurisdiction. These are important steps in assessment. Although these steps may appear simple, they are complex.

Except for unusual properties that might require the use of single-property appraisal techniques, ad valorem appraisals are based on initial value estimates from a mass appraisal system (Gloudemans and Almy 2011, 20). This requires a much more complex scope of work than one for the appraisal of one single-property appraisal.

As part of a scope of work for a mass appraisal assignment, the assessor must consider and evaluate the quantity and quality of the existing resources to produce a credible mass appraisal and what might be needed. These considerations include financial, staffing, and systems resources; valuation systems and support; computer-assisted mass appraisal (CAMA); geographic information; imagery; and property sales and data resources. The assessor must consider whether appropriate recognized methods and techniques are being employed or need to be implemented to produce a credible mass appraisal (Joyner 2010).

Because of financial commitments needed to develop and maintain a mass appraisal system, the assessor must have a multiyear strategic plan, as well as an annual tactical plan, as part of the scope of work for a mass appraisal.

In the end, the assessor must go through the steps in the appraisal process to produce a credible mass appraisal. USPAP Standard 6 is a minimum set of requirements to accomplish this (TAF 2012a, U-13).

Step 3. Data Collection and Analysis
This step in the appraisal process covers market analysis and highest and best use analysis. In market analysis, the appraiser conducts demand, supply, and marketability studies. In highest and best use analysis, the appraiser considers the value of the site as if vacant, the value of ideal improvements, and the value of the site as if improved. Included in this step are gathering and analyzing all pertinent information needed to value the property.

The requirements for data collection and analysis are found in Standards Rules 6-3, 6-4, and 6-5.

Standards Rule 6-3 (a) lists the factors that affect use and value. When necessary for credible assignment results in the appraisal of real property, the appraiser must

…identify and analyze the effect on use and value of the following factors: existing land use regulations, reasonably probable modifications of such regulations, economic supply and demand, the physical adaptability of the real estate, neighborhood trends, and highest and best use of the real estate; and…

Standards Rule 6-4 (a) requires the appraiser to

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

This step includes verification of property characteristics that affect value, data collection forms, procedures, and training materials for appraisal staff.

Standards Rule 4 (b) deals with the valuation model specification. The appraiser is required to employ recognized techniques for model specification, which is the formal development of a model in a statement or equation. The appraiser conducts data analysis of supply and demand factors as represented by quantitative and qualitative property characteristics. Models may be specified by using the cost, sales comparison, or income approach to value. Essentially, the appraiser is identifying the property factors that affect value. Specification may be tabular, mathematical, linear, nonlinear, or any other suitable method.

Standards Rule 6-4 (c) requires the appraiser “to employ recognized techniques for calibrating mass appraisal models.” Calibration refers to the process of analyzing sets of property and market data to determine the specific parameters (value or rates used) of a model.

Standards Rule 6-5 generally requires that when necessary for credible assignment results, the appraiser must collect, verify, and analyze such data as necessary to develop a cost approach, a sales comparison approach, or income approach.

The Comment to Standards Rule 6-5, in part, requires appraisers engaged in mass appraisal to take reasonable steps to ensure the quantity and quality of factual data that are collected are sufficient to produce credible appraisals.

Standards Rule 6-5 also requires reasonable estimates of information used in the income approach, to analyze terms and conditions of leases, and to identify the need for and extent of any physical inspection of properties.

Step 4. Application of the Approaches to Value
When necessary for credible results, Standards Rule 6-6 requires the appraiser to do certain things in applying a calibrated mass appraisal model. Key requirements include valuing properties by recognized methods or techniques that may include the cost approach, the sales comparison approach, or the income approach. Similarly, the rule requires sites (land) to be valued by recognized methods and techniques and requires the appraiser to analyze the effect on value of assemblage of various parcels, divided interest, or components.

Step 5. Reconciliation of Value Indicators and Final Value Opinion
The requirements for the reconciliation of value indicators and final value opinions are in Standards Rule 6-7. In the reconciliation of the value indicators and the final value opinion, the appraiser “must consider the quantity and quality of data in each of the approaches to value.”

The reconciliation should clearly summarize the quantity and quality of data, the applicability and relevance of the approaches considered, and the methods and techniques employed to ensure accuracy (including recognized testing procedures).

The IAAO Mass Appraisal Revaluation Template (IAAO 2011) suggests the following language for reporting:

Considering the quantity and quality of data and the reliability of the various models as shown in the performance tests above, we have concluded that the ________ approach is the best estimate of market value.

The final step in the appraisal process is reporting the value opinion. Mass appraisal reporting requirements are covered in Standards Rules 6-8 and 6-9. The appraiser is required to communicate to the client and intended users credible assignment results in a “manner that is meaningful and not misleading.” When the assessor reports a mass appraisal, he or she is documenting the valuation.

In the communication of a mass appraisal, it is important to understand that USPAP does not dictate the form, style, or format of appraisal reports.

The content and level of information required to communicate the results of a real property mass appraisal report are functions of the needs of the intended users and the appraiser. The substantive content of a report determines its compliance. Care should be exercised in the selection of the form, format, and style of the mass appraisal report and type of medium (electronic or paper) of the report and records to ensure that they are retrievable by the assessor.

A report of an ad valorem mass appraisal could be a report of the complete annual mass appraisal, or there could be several reports, one for each mass appraisal model. Most often there is one report for the complete valuation.
In all the Reporting Standards of USPAP, three terms are important: state, summarize, and describe. State is used to connote the minimal presentation of information. Summarize is used to connote a concise presentation of information. Describe is used to connote a comprehensive level of detail in the presentation of information. The assessor should be cognizant of the requirement to state, summarize, or describe information in the mass appraisal report.

The IAAO Mass Appraisal Revaluation Template (IAAO 2011) offers guidance in the preparation of a mass appraisal report for ad valorem purposes. This article incorporates the suggestions from the template.

**Reporting Steps**

There are 17 mass appraisal reporting requirements in Standards Rules 6-8, as follows:

1. Clearly and accurately set forth the appraisal in a manner that will not be misleading.
2. Provide sufficient information to enable the intended users of the appraisal to understand the report properly.
3. Clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.
4. State the identity of the client and any intended users, by name or type.
5. State the intended use of the appraisal.
6. Disclose any assumptions or limiting conditions that result in deviation from recognized methods and techniques or that affect analyses, opinions, and conclusions.
7. Set forth the effective date of the appraisal and the date of the report.
8. State the type and definition of value and cite the source of the definition.
9. Identify the properties appraised including the property rights.
10. Describe the scope of work used to develop the appraisal.
11. Describe and justify the model specification(s) considered, data requirements, and the model(s) chosen.
12. Describe the procedure for collecting, validating, and reporting data.
13. Describe calibration methods considered and chosen, including the mathematical form of the final model(s); describe how value conclusions were reviewed; and, if necessary, describe the availability of individual value conclusions.
14. When an opinion of highest and best use or the appropriate market or market level was developed, discuss how that opinion was determined.
15. Identify the appraisal performance tests used, and set forth the performance measures attained.
16. Describe the reconciliation performed, in accordance with Standards Rule 6-7.
17. Include a signed certification in accordance with Standards Rule 6-9.

Standards Rule 6-8 states

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

**Requirement 1**

Standards Rule 6-8 (a) requires the report to

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

**Requirement 2**

Standards Rule 6-8 (b) requires the report to

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

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

**Requirement 3**

Standards Rule 6-8 (c) requires the report to

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

Comment: The report must clearly and conspicuously:

- state all extraordinary assumptions and hypothetical conditions; and
- state that their use might have affected the assignment results.
Standards Rule 6-8 (c) requires disclosure of all assumptions, limiting conditions, and jurisdictional exceptions including any that result in deviation from recognized methods and techniques or that affect analyses, opinions, and conclusions.

The IAAO Revaluation Template gives examples of typical assumptions, limiting conditions, and assignment conditions that may be used for ad valorem appraisal purposes, as follows:

- The properties were assumed to be free of any and all liens and encumbrances. Each property has also been appraised as though under responsible ownership and competent management.
- Surveys of the assessed properties have not been provided. We have relied upon tax maps and other materials in the course of estimating physical dimensions and the acreage associated with assessed properties.
- We assume the utilization of the land and any improvements are located within the boundaries of the property described. It is assumed that there are no adverse easements or encroachments for any parcel that have not already been addressed in the mass appraisal.
- In the preparation of the mass appraisal, interior inspections have/have not been made of the parcels of property included in this report. All inspections are made from the exterior only. It is assumed that the condition of the interior of each property is similar to its exterior condition, unless the assessor has received additional information from qualified sources giving more specific detail about the interior condition.
- Property inspection dates will have ranged in time from both before and after the appraisal date. It is assumed that there has been no material change in condition from the latest property inspection, unless otherwise noted on individual property records retained in the assessor’s office.
- We assume that there are no hidden or unapparent conditions associated with the properties, subsoil, or structures that would render the properties (land, improvements, or both) more or less valuable.
- It is assumed that the properties, the landowners, or both are in full compliance with all applicable federal, state, and local environmental regulations and laws.
- It is assumed that all applicable zoning and use regulations have been complied with.
- It is assumed that all required licenses, certificates of occupancy, consents, or other instruments of legislative or administrative authority from any private, local, state, or national government entity have been obtained for any use on which the value opinions contained within this report are based.
- We have not been provided a hazardous conditions report, nor are we qualified to detect hazardous materials. Therefore, evidence of hazardous materials, which may or may not be present on a property, was not observed. As a result, the final opinion of value is predicated upon the assumption that there is no such material on any of the properties that might result in a loss or change in value.
- Information, estimates, and opinions furnished to the appraisers and incorporated into the analysis and final report were obtained from sources assumed to be reliable, and a reasonable effort has been made to verify such information. However, no warranty is given for the reliability of this information.
- The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made compliance surveys nor conducted a specific analysis of any property to determine if it conforms to the various detailed requirements identified in the ADA. It is possible that such a survey might identify nonconformity with one or more ADA requirements, which could lead to a negative impact on the value of the property(s). Because such a survey has not been requested and is beyond the scope of this appraisal assignment, we did not take into consideration adherence or non-adherence to ADA in the valuation of the properties addressed in this report.
- Possession of this report does not carry with it the right of reproduction, and disclosure of this report is governed by the rules and regulations of the ___________________________, and is subject to jurisdictional exception and the laws of _______________________.

Requirement 4
Standards Rule 6-8 (d) requires the report to state the identity of the client and any intended users, by name or type;
Requirement 5
Standards Rule 6-8 (e) requires the report to state the intended use of the appraisal;

Requirement 6
Standards Rule 6-8 (f) requires the report to disclose any assumptions or limiting conditions that result in deviation from recognized methods and techniques or that affect analyses, opinions, and conclusions;

In this section the appraiser should describe the appraisal assignment required by either statutes or local practice. The scope of work used to develop the appraisal and the exclusion of any of the traditional approaches to value must be explained.

Because an intended user’s reliance on an appraisal may be affected by the scope of the work, the report must enable them to understand the appraisal and not be misled. Sufficient information includes disclosure of research and analyses performed and might include disclosure of research and analyses not performed.

When any portion of the work involves significant mass appraisal assistance, the appraiser must describe the extent of that assistance. The signing appraiser must also state the name(s) of those providing the significant mass appraisal assistance in the certification, in accordance with Standards Rule 6-9.

The scope of work can be contained throughout the document and, therefore, does not require its own section. Its specificity should meet peer and client expectations.

Advisory Opinions 28 and 29 provide further discussion and guidance for an acceptable scope of work. The disclosure requirements apply to the scope of work performed rather than the scope of work initially planned.

Requirement 7
Standards Rule 6-8 (g) requires the report to set forth the effective date of the appraisal and the date of the report;

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

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

Requirement 8
Standards Rule 6-8 (h) requires the report to state the type and definition of value and cite the source of the definition;

Comment: Stating the type and definition of value also requires any comments needed to clearly indicate to intended users how the definition is being applied. When reporting an opinion of market value, state whether the opinion of value is:

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

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

Requirement 9
Standards Rule 6-8 (i) requires the report to identify the properties appraised including the property rights;

Comment: The report documents the sources for locating, describing and listing the property. When applicable, include references to legal descriptions, addresses, parcel identifiers, photos, and building sketches. In mass appraisal this information is often included in property records. When the property rights to be appraised are specified in a statute or court ruling, the law must be referenced.

Given the uniformity of assessment requirements, most jurisdictions utilize fee simple ownership; however, there is a need to check legal obligations through statutes, rules, and regulations. For example, valuation of a possessory interest may be the leased fee interest.

This identification may include political boundaries, topography, classification, and number and type of properties. Often lists of neighborhoods (groups of similar properties) and maps are used to delineate market areas. Typically, a record card for each property contains property description, value characteristics, appraised value, and ownership information. While these records are not needed in a mass appraisal report, these records (including the sales analysis report) are considered part of the workfile and are important in due process and appeal actions.
Requirement 10
Standards Rule 6-8 (j) requires the report to
describe the scope of work used to develop the appraisal;
the exclusion of the sales comparison approach, cost
approach, or income approach must be explained;
Comment: Because intended users’ reliance on an
appraisal may be affected by the scope of work, the report
must enable them to be properly informed and not misled.
Sufficient information includes disclosure of research
and analyses performed and might also include disclo-
sure of research and analyses not performed.
When any portion of the work involves significant mass
appraisal assistance, the appraiser must describe the ex-
tent of that assistance. The signing appraiser must also
state the name(s) of those providing the significant mass
appraisal assistance in the certification, in accordance
with Standards Rule 6-9.
A key step in scope of work for a mass appraisal is
the preliminary performance test of existing value
on the assessment roll compared to current market
sales transactions. Procedural edits, ratio studies, and
other descriptive statistics are used as performance
measures; these should be used to support the mass
appraisal decision. The assessor may include an as-
sessment ratio chart that summarizes the preliminary
ratio statistics for all revaluation neighborhoods by
property type.

Requirement 11
Standards Rule 6-8 (k) requires the report to
describe and justify the model specification(s) considered,
data requirements, and the model(s) chosen;
Comment: The appraiser must provide sufficient infor-
mation to enable the client and intended users to have
confidence that the process and procedures used conform to
accepted methods and result in credible value conclusions.
In the case of mass appraisal for ad valorem taxation,
stability and accuracy are important to the credibility of
value opinions. The report must include a discussion of the
rationale for each model, the calibration techniques to
be used, and the performance measures to be used.
This rule requires the appraiser to describe and
justify the model specification, data requirements,
and model(s) chosen. Typical models are the cost
approach model, the sales comparison model, and
the income approach model.
Model specification is the process of identifying the
key property characteristics that affect value and the
formula for each model. A jurisdiction may use one
or more models to value property. Therefore each
model must be specified.

Methods and techniques for model specification
are manual processes or computer applications,
including spreadsheets, CAMA systems, multiple
regression analysis, or adaptive estimation feedback
methods.

Essentially, the appraiser identifies comparable
properties that have sold in market areas and con-
ducts a market analysis of the sold properties. The
appraiser develops and analyzes descriptive statistics
and preliminary ratio studies of current sales to prior
assessed values. Key information developed in this
process might be used to support model specification.

In testing the model specification, the appraiser may
scale a sample model by using sales from market
areas and property type, and then value the sample
properties. In this process the appraiser conducts a
preliminary ratio study (current sale to prior value)
for the sample, then values the sample, and finally
conducts a ratio study to test results (current sales to
new value). In this manner, the model specification
can be tested, and a preliminary model calibration can
be developed by using the sample sales. In reporting
the model specification, the appraiser uses summaries
of the market analysis and model testing to describe
and justify the model chosen.

The IAAO Revaluation Template references four
typical model types: land, cost, sales comparison, and
income. It is the appraiser’s responsibility to choose
the model or models for valuing properties. The ap-
praizer then specifies the models used. The reporting
of each model specification used should include the
following:

- The data requirement
- The data collection procedure
- What was done
- The characteristics that can be relied upon
- The characteristics that may present data inac-
curacy
- A review of model coefficients
- A review of model estimates
- Individual value estimates.
For any model used, additional information should include the following

- Land model—abstraction, sales comparison, allocation, capitalization of ground rent, or land residual
- Cost model—source for the cost new estimate
- Income model—direct capitalization, gross income multiplier (GIM), gross rent multiplier (GRM), or yield capitalization.

**Requirement 12**

Standards Rule 6-8 (l) requires the report to

describe the procedure for collecting, validating, and reporting data;

*Comment: The report must describe the sources of data and the data collection and validation processes. Reference to detailed data collection manuals must be made, as appropriate, including where they may be found for inspection.

**Requirement 13**

Standards Rule 6-8 (m) requires the report to

describe calibration methods considered and chosen, including the mathematical form of the final model(s); describe how value conclusions were reviewed; and, if necessary, describe the availability of individual value conclusions;

The appraiser must describe the calibration methods considered and coefficients (values or rates) chosen and indicate the final mathematical form of the model. Typical models are the cost approach model, the sales comparison model, and the income approach model.

Model calibration is the process of identifying the coefficients (values or rates) used in the model formula to value a property. Individual property characteristics are used in the formula with the calibrated rates to produce a property value. For example, in the cost approach, the square footage of the subject improvement is the individual property square footage and the building replacement cost new per square foot is the calibrated coefficient.

A jurisdiction may use one or more models for valuing property. Therefore each model must be calibrated. For each model calibrated, the appraiser may report the following:

- Description of calibration methods considered and chosen, and the mathematical form of the final model for land value
- Ratio study to test the calibration
- Review of model coefficients
- Review of model estimates.

Similarly, the appraiser should describe the model validation for each model used. In doing this, the appraiser describes the appraisal performance tests used and the performance measures attained, such as ratio studies, measures of central tendency, appraisal level, and appraisal bias.

**Requirement 14**

Standards Rule 6-8 (n) requires that, in the report,

when an opinion of highest and best use, or the appropriate market or market level was developed, discuss how that opinion was determined;

*Comment: The mass appraisal report must reference case law, statute, or public policy that describes highest and best use requirements. When actual use is the requirement, the report must discuss how use-value opinions were developed. The appraiser’s reasoning in support of the highest and best use opinion must be provided in the depth and detail required by its significance to the appraisal.

The IAAO Revaluation Template suggests that if an opinion of highest and best use is developed, the four tests (physically possible, legally permissible, financially feasible, and maximally productive) should be applied for an appropriate analysis, which would usually be for atypical properties.

**Requirement 15**

Standards Rule 6-8 (o) requires the report to

identify the appraisal performance tests used and set forth the performance measures attained;

After the final application of the mass appraisal model and when the valuation is complete, the assessor conducts a performance test to measure the quality of the mass appraisal results. The performance test is a ratio study comparing the new valuation to current sale prices. A ratio study performance test measures the typical level of assessment compared to current market sales and measures the dispersion or spread of the level of assessment of other properties around the typical level (measure of central tendency). Similarly, other descriptive statistics can measure performance, as well as assessment bias.
Essentially, the assessor is testing the quality of the new assessments and then comparing them with the quality of the old assessments, which were tested in the preliminary performance review conducted in Standards Rule 6-7 (j) Scope of Work.

Requirement 16
Standards Rule 6-8 (p) requires the report to describe the reconciliation performed, in accordance with Standards Rule 6-7;

The IAAO Revaluation Template guides the appraiser by stating,

The reconciliation should clearly summarize the quantity and quality of data, the applicability and relevance of the approaches considered, and the methods and techniques employed to ensure accuracy (including recognized testing procedures) and conclude with a statement similar to the following:

Considering the quantity and quality of data and the reliability of the various models as shown in the performance tests above, we have concluded that the __________ approach is the best estimate of market value.

Requirement 17
Standards Rule 6-9 (a) requires each written report to include a signed certification in accordance with Standards Rule 6-9.

It is in the signed certification in accordance with Standards Rule 6-9 that the appraiser attests to his or her USPAP obligations—both ethical and performance obligations. The certifications should be similar to those in Standards Rule 6-9. Typical certifications for a mass appraisal are included in the IAAO Revaluation Template.

The Comment to this Standards Rule, in part, states

The above certification is not intended to disturb an elected or appointed assessor’s work plans or oaths of office. A signed certification is an integral part of the appraisal report. An appraiser, who signs any part of the mass appraisal report, including a letter of transmittal, must also sign this certification. In an assignment that includes only assignment results developed by the real property appraiser(s), any real property appraiser(s) who signs a certification accepts full responsibility for the real property elements of the certification, for the real property assignment results, and for the real property contents of the appraisal report.

Other Communications
The ASB often receives questions about the applicability of the Uniform Standards. The ASB uses Other Communications to issue guidance on these matters, as needed. This guidance comes in the form of Advisory Opinions, Questions and Answers, and Frequently Asked Questions. These Other Communications are issued to illustrate the applicability of appraisal standards in specific situations and are offered as advice from the ASB for the resolution of specific appraisal problems.

Advisory Opinion 32–Ad Valorem Appraisal
The ASB received correspondence and public testimony regarding ad valorem property tax appraisal and mass appraisal assignments that exposed misunderstandings about the application of USPAP to real and personal property appraisal for ad valorem purposes. The ASB therefore decided to publish an advisory opinion to illustrate the applicability of the Standards. Exposure drafts were issued, and public comments were received before the board adopted Advisory Opinion 32 (AO-32), Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments.

AO-32 provides guidance on and illustrations of specific applications of USPAP to ad valorem assignments in the following areas:

- Distinguishing a mass appraisal
- Identifying intended users
- Scope of work decisions
- Reporting, workfile, and jurisdictional exception requirements
- Illustrations.

Distinguishing a Mass Appraisal
Standards 1 and 2, Standard 6, and Standards 7 and 8 may be applicable and it is the assessor’s decision which standards are to be used in the assignment. AO-32 identifies distinguishing mass appraisal characteristics as follows:

- The subject of the appraisal is a “universe” of properties, that is, more than one property.
• The assignment involves standard methodology employing common data that allow for statistical testing.

• These models may be based on the cost approach, the income approach, the sales comparison approach, or all three approaches to value.

**Identifying Intended Users**

The Advisory Opinion states that it is the assessor who determines the intended users of a mass appraisal and, specifically, that

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

**Scope of Work Decisions**

The Advisory Opinion states that it is the appraiser or assessor who determines what is an appropriate scope of work. In addition to the key considerations of problem identification, AO-32 states,

In the interests of equity, the scope of work in mass appraisal assignments for ad valorem taxation can include consideration of appraisal level (the overall proximity between appraised values and actual prices) and the uniformity of property values (equity within groups of like properties).

**Reporting, Workfile, and Jurisdictional Exception Requirements**

There were misunderstandings about reporting requirements, what constituted a workfile, and when jurisdictional exceptions apply in ad valorem mass appraisal assignments. AO-32 states,

Notifications are commonly required within the jurisdiction to meet due process requirements. These property owner notifications are not “reports” as defined in USPAP. Further, a party receiving a notification in order to satisfy disclosure requirements does not become an intended user unless the appraiser identifies such party as an intended user as part of the assignment...

For a mass appraisal assignment, compliance with the Record Keeping Rule requires a workfile for the mass appraisal assignment, not a workfile for each property in the mass appraisal. The workfile for a mass appraisal contains the information to support the valuation of all properties in the mass appraisal. This supporting material may be documented in any form of media, including electronic files, and includes such items as property records, market data, sales ratios and other statistical studies, appraisal manuals and documentation, market studies, model building documentation, regulations, statutes, property photos, sketches, aerial imagery, maps, automated mapping and geographic information systems, worksheets, spreadsheets, and analysis reports. USPAP does not dictate the form or format of workfile documentation. There is no requirement that the contents of the workfile be held in a single location.

**Illustrations**

There were also misunderstandings about which appraisal standards apply in ad valorem appraisals. Some were under the misconception that assessors could appraise property only by using Standard 6 and could not appraise properties using other standards. The Advisory Opinion clarifies that, as part of the scope of work decision, it is the appraiser’s or assessor’s decision which appraisal standards apply.

**Frequently Asked Questions**

In the 2012–2013 edition of USPAP, there are two frequently asked questions that provide further understanding of appraisal problems and mass appraisal: FAQ 184, Appraising Large Groups of Similar or Like Items, and FAQ 185, Blockage Discounts and Standard 6.

**FAQ 184—Question:** Is there any connection between the application of Standard 6 for mass appraisals and the application of a blockage discount?

**Response:** No. There is no connection between the applications of mass appraisal methods as addressed in Standard 6 and the application of a blockage discount. A blockage discount may be applicable when the appraisal problem being addressed indicates an assumption that a large number of similar assets would be offered for sale on the market at once. Under some circumstances, this would create an oversupply, which would depress the value of the assets.

Whether the application of a blockage discount is appropriate depends on many factors, including the intended use of the appraisal, the type and definition of value, the conditions of the assignment, and the relevant characteristics of the assets. Relevant characteristics include the nature of the assets, their market and other factors.

**FAQ 185—Question:** When an appraiser is asked to value a significantly large group of similar or like items, does USPAP require that the appraiser follow Standard 6 for mass appraisals?
Response: No. USPAP does not require that Standard 6 be followed in such cases. Mass appraisal, for which performance standards are addressed in Standard 6, is an appraisal method. USPAP does not dictate the use of any particular method or technique in any particular assignment or under any particular set of circumstances. While mass appraisal methods may be helpful in the appraisal of large numbers of similar assets, whether its use is appropriate in a particular assignment would depend on such things as assignment conditions, the intended use of the appraisal results, and, at times, agreement with the client.

Conclusion
This article discusses the changes in the 2012–2013 edition of USPAP. A detailed description of the appraisal process includes requirements for development and reporting of a mass appraisal. The key points of ASB’s Other Communications about mass appraisal are also discussed. This has been done to give appraisers who are assessors a more detailed review of USPAP as it applies to their appraisal practice.

Assessors should be thoroughly familiar with the applicability of the Uniform Standards.

References

William H. Riley, MBA, DPA, CAE, is a consultant with TEAM Consulting and has more than 40 years of appraisal and assessment experience. He is a Certified General Appraiser. He has served on various IAAO committees and also as the IAAO representative to the Appraisal Foundation Advisory Council. Henry served on the Appraisal Standards Board of The Appraisal Foundation. He is an IAAO Senior National Instructor and an AQB certified USPAP Instructor. He can be reached at c_hriley@comcast.net.

Kenneth Joyner, RES, AAS, is lecturer and faculty member of the School of Government at the University of North Carolina, Chapel Hill. He has 17 years of appraisal and assessment experience and currently serves on the IAAO Executive Board. He is an IAAO Senior Specialty Instructor and AQB-certified USPAP Instructor. He has been teaching since 1998. Ken has previously served on the Professional Designations Subcommittee and the Jeff Hunt, CAE, Memorial Candidates Trust Committee. He was the 2008 IAAO Member of the Year and the 2009 IAAO Instructor of the Year. He can be reached at joyner@sog.unc.edu.
The appraisal/assessment profession has evolved since the 1930s when many professional appraisal organizations were formed; they were the first to enhance appraiser education and professional ethics. These advances continued for 50 years. Then, in the early 1980s, the crisis in the savings & loan industry highlighted the need to improve appraisal practices throughout the United States. During this period, there were instances of people performing appraisals who were not members of the professional appraisal organizations, who were not bound by professional standards, and who did not have appropriate appraisal education or experience. In 1986 nine U.S. and Canadian professional appraisal organizations, including IAAO, formed an Ad Hoc Committee to develop a minimum set of Uniform Appraisal Standards for all appraisal disciplines.

In 1989, The Appraisal Foundation was created to maintain and promote the Uniform Standards and to develop and maintain appraiser education and experience criteria. The United States Congress authorized The Appraisal Foundation as the source of appraisal standards, appraiser education, and experience requirements, pursuant to the 1989 Financial Institutions Reform and Recovery and Enforcement Act (FIRREA). The act also required states to adopt legislation that would create state appraisal boards to oversee licensing and enforcement of appraisal laws, regulations, and standards. A federal government agency, the Appraisal Subcommittee of the Federal Financial Institution Examination Council, was given oversight responsibility of the state appraiser boards.

What Is USPAP?
The Uniform Standards of Professional Appraisal Practice is a minimum set of ethical and performance obligations for all appraisers. The Uniform Standards apply to the appraisal of all asset types—real property, personal property, and business and intangible property. Additionally, they cover appraisal review and real property appraisal consulting.

The Appraisal Foundation’s Independent Boards
The Appraisal Foundation currently has four independent boards, as follows:

<table>
<thead>
<tr>
<th>Board Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees</td>
<td>Provides oversight to The Appraisal Foundation and conducts interviews and makes appointments to the foundation’s various Boards.</td>
</tr>
<tr>
<td>Appraisal Practices Board (APB)</td>
<td>Officially formed by the Board of Trustees on July 1, 2010. APB is charged with the responsibility of identifying and issuing opinions on Recognized Valuation Methods and Techniques, which may apply to all disciplines within the appraisal profession.</td>
</tr>
<tr>
<td>Appraisal Standards Board (ASB)</td>
<td>Develops, interprets, and amends USPAP.</td>
</tr>
<tr>
<td>Appraiser Qualifications Board (AQB)</td>
<td>Establishes the minimum education, experience, and examination requirements for real property appraisers to obtain state certification. In addition, AQB performs a number of ancillary duties related to real property and personal property appraiser qualifications.</td>
</tr>
</tbody>
</table>

USPAP Compliance
The Appraisal Subcommittee (ASC, also founded in 1989 pursuant to FIRREA) maintains a national registry of licensed or certified appraisers; this registry numbers approximately 100,000 people in the United States (see table). Licensed and certified appraisers are required to comply with USPAP. Similarly, appraisers who are members of founding professional appraisal organizations of The Appraisal Foundation are required to comply with USPAP. If there is a requirement to comply, the appraiser must comply with USPAP. If there is no requirement to comply, appraisers should comply with USPAP.

Table. Active U.S. appraiser licenses in 2012

<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensed</td>
<td>13,209</td>
</tr>
<tr>
<td>Certified Residential</td>
<td>53,858</td>
</tr>
<tr>
<td>Certified General</td>
<td>37,931</td>
</tr>
<tr>
<td>Transitional</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>105,011*</td>
</tr>
</tbody>
</table>

Assessors who are licensed or certified appraisers, who are members of a founding professional appraisal organization of The Appraisal Foundations, or who are otherwise required by law or regulation to comply with USPAP must comply. Assessors who are not required to comply with USPAP should comply by choice. Anyone who is performing as an appraiser or assessor should comply with USPAP.

The purpose of USPAP is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers. Although USPAP establishes a minimum set of ethical and performance obligations for appraisers or assessors, there may be additional obligations required by law, regulation, or other assignment conditions.

The Preamble of USPAP states,

*It is essential that appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading…*

Compliance with USPAP is required when either the service or the appraiser is obligated to comply by law or regulation, or by agreement with the client or intended users…

*That when not obligated, individuals may still choose to comply with USPAP.*

The Ethics Rule of USPAP states,

*that an individual should comply any time that individual represents that he or she is the service as an appraiser*

**USPAP Education**

Licensed or certified appraisers or designated members of IAAO are to have completed

- One 15-Hour National USPAP Course, and
- One 7-Hour National USPAP Update Course every two years (all IAAO designated members, except CMS, at least twice every five years).

These courses are provided by The Appraisal Foundation and updated with each new version of USPAP. The 15-hour course serves as an introduction to USPAP and focuses on the key concepts. The 7-hour course focuses on key concepts, changes to the Standards, and practical applications of the standards in everyday appraisal practice.

USPAP education with a focus on practical applications for assessors is limited. Therefore, assessors may wish to undertake a program of personal study to truly become familiar with USPAP requirements.

**Assessment Prior to USPAP**

The assessing profession is the single largest provider of appraisal services in the United States. In 1934, assessing professionals formed what is now IAAO to provide education, training, professional designations (demonstrations of professionalism) in real property appraisal and personal property appraisal, research, and standards of practice for assessors. Assessing officials have applied the appraisal process and employed recognized methods and techniques to produce credible assessments for 78 years.

IAAO is a nonprofit, educational and research organization of government assessment officials and others interested in the administration of the property tax. Its membership totals more than 7,300 assessment professionals worldwide from governmental, business, and academic communities.

Today, IAAO is the internationally recognized leader and preeminent source for innovation, education, and research in property appraisal, assessment administration, and property tax policy. Along with other professional appraisal organizations, IAAO emphasized and trained assessing officials in ethical professional appraisal practice long before the formation of The Appraisal Foundation and the first edition of the Uniform Standards of Professional Appraisal Practice.

IAAO was one of the eight U.S.-based professional appraisal organizations that participated in the ad hoc work group that developed the Uniform Standards in 1987. It was a founding member of The Appraisal Foundation in 1989. Since then, IAAO members have been bound by the IAAO Code of Conduct and Professional Standards, as well as USPAP.

**Structure of USPAP**

USPAP addresses the ethical and performance obligations of appraisers in five sections: Definitions, Preamble, Rules, Standards, and Standards Rules, and Statements on Appraisal Standards.

The ten Standards cover each asset type (real property, personal property, business, and intangible property). For each asset type, the Standards typically consist of one for development of the appraisal and one for communication (reporting) of the appraisal. Two standards (Standard 3, Review Appraisal, and Standard 6, Mass Appraisal) cover development and communication in one Standard.

The Preamble, an introduction to USPAP, describes the purpose, structure, and who promulgates the Standards.
Definitions establish the meaning of certain terms in *USPAP*; all other words used in *USPAP* that are not in Definitions use their common English definition.

Rules govern appraisers in appraisal practice or under any of the Standards:

- The Ethics Rule establishes the requirements for an appraiser’s integrity, impartiality, objectivity, independent judgment, and ethical conduct.
- The Record Keeping Rule establishes workfile requirements.
- The Competency Rule establishes appraisers’ pre-assignment and assignment conditions for knowledge and experience.
- The Scope of Work Rule presents appraisers’ obligations in problem identification, research, and analyses.
- The Jurisdictional Exception Rule preserves the balance when a portion of *USPAP* is contrary to law or public policy in a jurisdiction.

Standards are the minimum standards for the development and communication of appraisals:

- Standards 1 & 2—requirements for development and communication of real property appraisal
- Standard 3—requirements for development and communication of an appraisal review
- Standards 4 & 5—requirements for development and communication of real property consulting assignment
- Standard 6—requirements for development and communication of a mass appraisal
- Standards 7 & 8—requirements for development and communication of personal property appraisal
- Standards 9 & 10—requirements for development and communication of a business or intangible asset appraisal.

Statements on Appraisal Standards further clarify, interpret, explain, or elaborate on a Rule or Standards Rules.

Comments are an integral part of *USPAP* and have the same weight as the component they address. These are extensions of Definitions, Rules, and Standard Rules and provide interpretation and establish the context and conditions for application.

For convenience, *USPAP* is published with a foreword, a table of contents, the advisory opinions and frequently asked questions (FAQs). These materials are Other Communications provided by the ASB for guidance only.

**Twenty Years Later**

In 2007 (20 years after the first *USPAP*), The Appraisal Foundation conducted a joint ASB/AQB survey that asked appraisers, users of appraisal services, regulators, educators, and others how well *USPAP* was serving their needs. The survey was accomplished with a series of public documents and public meetings. Written comments from almost 2,000 individuals, as well as oral comments offered at public meetings, were received. In addition, comments were received from professional appraisal organizations representing thousands of appraisers.

The survey revealed differences in how appraisers and users of appraisal services understand *USPAP*. It showed the need for further elaboration and clarification of various sections of *USPAP*. As a result, changes were made to both the 2010–2011 and the 2012–2013 editions of *USPAP*, principally to improve clarity, understanding, and enforcement of *USPAP*. Most of the changes did not alter the intent or general requirements of the Uniform Standards.

Similarly, ASB issues guidance in the form of Advisory Opinions, FAQs, and periodic questions and responses. These communications do not establish new Standards or interpret existing Standards and are not part of *USPAP*. They illustrate the applicability of Standards in specific situations and offer advice from the ASB for the resolution of specific appraisal issues and problems.

ASB and AQB altered both national courses to include practice applications and In the Real World Problems to focus appraisers on the actual use of the standards.

Assessors’ work is typically different from that of appraisers who appraise property for lending purposes. While there are many similarities between ad valorem tax appraisal and single-property appraisal, there are differences depending upon asset type, appropriate standards, date of value, and the methods and techniques used to complete a credible appraisal.