PRESENTATION OBJECTIVES

- Understand the history appraisal standards, IAAO and the Appraisal Foundations
- Know the organization and structure of USPAP
- Understand how USPAP applies to assessors
- Review the requirements and differences of USPAP in the development of an appraisal and a mass appraisal
- Understand the requirements for reporting an appraisal/mass appraisal

SOURCE MATERIALS

"Following the Trail: A Guide to USPAP for Assessors" – Fair and Equitable (IAAO), April 2012 – W.H. Riley, CAE and K. Joyner RES

“How USPAP Got Its Start” – Fair and Equitable (IAAO), April 2012 – W.H. Riley, CAE and K. Joyner RES


**SOURCE MATERIALS**


"Code of Conduct For Appraisal Foundation Sponsors – The Appraisal Foundation - 09/30/95 - Revised 02-21-03

"Executive Board Approves Mass Appraisal Revaluation Template" Fair and Equitable (IAAO), June 2011 – G. Bulman, CAE


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**History**

- **1930’s** - The appraisal/assessment profession has evolved since before the 1930’s when many professional appraisal organizations were formed; these organizations were the first to enhance appraiser education and professional ethics. This was 50 years before USPAP.

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**History – Key Dates**

- **1934** – The International Association of Assessing Officers (IAAO- an appraisal organization) was formed as the NAAO (National Association of Assessing Officers)
- **1953** - IAAO’s CAE Designation began
- **1980’s** - In the early 1980’s, the crisis in the savings & loan industry highlighted the need to improve appraisal practices throughout the United States for all appraisers.
History

- **1980’s** – During this period, appraiser’s who were not members of the professional appraisal organizations were performing appraisals. These persons were not bound by professional standards, and many did not have appropriate appraisal education or experience.

- **1986** – 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.

- **1987** – First USPAP was published.

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History

- **1989** – The Appraisal Foundation was created (a private corporation) to maintain and promote the Uniform Standards and to develop and maintain appraiser education and experience criteria through its Boards (ASB and AQB).

- **1989** – The United States Congress authorized The Appraisal Foundation as the source of appraisal standards, appraiser education, and experience requirements, pursuant to the Financial Institutions Reform and Recovery and Enforcement Act (FIRREA) enacted in that year.

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History

- The FIRREA act also required states to adopt legislation that would create state appraisal boards to oversee licensing and enforcement of appraisal laws, regulations, and standards.

- Under FIRREA – A federal government agency, the Appraisal Subcommittee of the Federal Financial Institution Examination Council, was given oversight responsibility of the state appraiser boards.

- FIREA did not require Assessor’s to be certified or licensed.
History – Key Dates

- **1990** – State governments began to enact legislation that required real property appraiser licensing
- **2007** – A joint ASB/AQB survey was conducted on USPAP 20 years later
- **2012** – The 2012 – 2013 USPAP is published - 25 years after the first USPAP

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 development and communication of (reporting) appraisals for all asset types—real property, personal property, and business and intangible property.
- Appraisal review and
- Real property appraisal consulting.

Purpose of 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.
Structure of USPAP

USPAP addresses the ethical and performance obligations of appraisers through:

- DEFINITIONS,
- PREAMBLE,
- RULES,
- STANDARDS,
- Standards Rules, and
- STATEMENTS on Appraisal 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;

PREAMBLE - an introduction to USPAP, describes the purpose, structure, and who promulgates the Standards.

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 (established as a rule 2012-13).
Structure of USPAP

- 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.

Structure of USPAP

- STANDARDS – A minimum set of standards for the development and communication of appraisals:
  - The ten Standards cover all asset types (real property, personal property, business, and intangible property).
  - Typically appraisal development is covered in one Standard and appraisal communication (reporting) another one Standard

Structure of USPAP

- Development and Communication are both covered in one standard in only two cases - Standard 3, Review Appraisal, and Standard 6, Mass Appraisal
Structure of USPAP

STANDARDS

- 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

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

COMMENTS

- 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.
Structure of USPAP

- Other Communications of the Appraisal Standards Board (ASB)
- 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.

USPAP Compliance

- The PREAMBLE addresses USPAP Compliance (Also Advisory Opinion 21 covers compliance)
- 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
- (Non-licensed 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.
USPAP Education

- 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, this course will focus on USPAP as it is applied by assessors in their appraisal practice.

USPAP Education

Why this Course?

- While similar to single property appraisal, mass appraisal has differences because of appraising a universe of properties.
- These differences cause misunderstanding with the application of USPAP in ad valorem mass appraisal assignments.
- Differences in development of the appraisal will be reviewed.
- Differences in communication of a single property appraisal and mass appraisal will be considered.

Assessing Profession

- The assessing profession is the single largest provider of appraisal services in the United States.

<table>
<thead>
<tr>
<th>Table</th>
<th>Active U.S. appraiser licenses in 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensed</td>
<td>13,129</td>
</tr>
<tr>
<td>Certified Residential</td>
<td>51,850</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>
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- Some assessors are state certified or licensed appraisers, while many are not. Thus, Licensed and Certified appraisers and assessors are in excess of the 105,000 on the ASC’s national registry.
Key USPAP Definitions

**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. (TAF 2012, U-1 to U-5)

**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. (TAF 2012, U-1 to U-5)

**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 2012, U-1 to U-5)
Essential Requirement

- The PREAMBLE indicates that the purpose of USPAP is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers.
- It is essential that appraisers develop and communicate their analysis, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading.

Standard 1, 2 and Standard 6

Standard 1 deals with the requirement of developing a real property appraisal.
Standard 2 deals with the communication (reporting) a real property appraisal.
Standard 6 deals with the requirements of developing and reporting a mass appraisal (real and personal property)

Differences and Similarities

STANDARD 1 and 6

- There are more similarities than differences between these STANDARDS
- The Key difference is that STANDARD 1 deals with the development of a single property appraisal and STANDARD 6 deals with mass appraisal
- Both require to appraisers develop … their analysis, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading.
Differences and Similarities
STANDARD 1 and 6

- STANDARD 1 and STANDARD 6 require the appraiser to produce a creditable appraisal or mass appraisal respectively
- STANDARD 1 requires "an appraiser must identify the problem to be solved, determine the Scope of Work necessary to solve the problem, and correctly complete research and analysis necessary to produce a creditable appraisal."

Differences and Similarities
STANDARD 1 and 6

- STANDARD 1 - the first Comment: (lines 459 – 462) states "The steps in STANDARD 1 follow the appraisal development process... and that can be used by appraisers and users of appraisal services as a convenient checklist.
- Both STANDARD 1 and 6 follow the appraisal process

Differences and Similarities
STANDARD 1 and 6

Both STANDARD 1 and 6 require the appraiser to:
- be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal;
- not commit a substantial error of omission or commission that significantly affects an appraisal; and
- not render appraisal services in a careless or negligent manner, such as by making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate affects the credibility of those results.
Differences and Similarities
STANDARD 1 and 6

STANDARD 6 - the first Comment: (lines 1146-1467) is more lengthy than the comment in STANDARD 1

It covers steps in problem identification, scope of work, research and analysis to produce a creditable mass appraisal that are covered in Standard 1, but the steps are more associated with mass appraisal.

"Comment: STANDARD 6 applies to all mass appraisals of real or personal property regardless of the purpose or use of such appraisals.

Differences and Similarities
STANDARD 1 and 6

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.

Differences and Similarities
STANDARD 1 and 6

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;
Differences and Similarities
STANDARD 1 and 6

(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)

Appraisal Process

The appraisal process is the method by which appraisers solve problems. There are six key steps for development and reporting of appraisals under Standards 1 and 2 or Standard 6.
- Many of the Standards Rules are the same between Standards 1 and 2 and Standard 6. However, there are some differences.
- The appraiser/assessor 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
6. Report of the defined value opinion

(TAF 2012b, 1-20).
Appraisal Process

STANDARD 1 & 2 and STANDARD 6

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 1-2 and 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 the steps in problem identification in the development of an appraisal or mass appraisal and to develop a Scope of Work for the assignment.

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.

The appraiser/assessor proceeds through the nine steps of problem identification by following Standards Rules 1-2 (a) or 6-2 (a) through 1-2 (h) or 6-2 (i).
Appraisal Process

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 appraisal.

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).

Problem Identification
Client and Intended Users

1. 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.
Problem Identification
Client and Intended Users

USPAP Defines:

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)

Appraisal Process
Problem Identification

AO-32 gives further guidance …

In ad valorem taxation assignments, the client is typically 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.

Problem Identification
Client and Intended Users

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.
Problem Identification
Client and Intended Users

Statement 9, Identification of Intended Use and Intended Users, elaborates on the USPAP requirements placed on the appraiser or assessor for identification of the intended use and of intended users of an appraisal or mass appraisal.

The Statement clarifies that the appraiser must have communication with the client and determine the intended use and intended users prior to acceptance of the assignment. This communication is important in order to develop credible assignment results and to provide an appraisal that is meaningful and not misleading.

The guidance on the applicability of the Uniform Standards in AO-32 states (TAF 2012a, A-110)

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.

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.
2. 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.)
3. 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.

4. 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:
• Effective date of the appraisal
• The date of the report.

Effective date of the appraisal establishes the context for the value opinion.

The date of the report indicate the perspective of the appraiser on the market and property as of the effective date of appraisal.

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

Relevant Property Characteristics

5. Identify the Relevant Property Characteristics

Standards Rules 6-2 (e) to 6-2 (i) address the identification of relevant property characteristics. Key points are:

• Identify the characteristics of the properties that are relevant to the type and definition of value and intended use, … The USPAP Comment on this 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)

Problem Identification

Extraordinary Assumptions and Hypothetical Conditions

6. Identify the Extraordinary Assumptions and Hypothetical Conditions

USPAP defines -

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.
Extraordinary Assumptions and Hypothetical Conditions

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.

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 property characteristics that are different or contamination, it may alter the appraiser’s opinion.
Problem Identification
Extraordinary Assumptions and Hypothetical Conditions

Identify the Extraordinary Assumptions and Hypothetical Conditions

**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.

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).
Problem Identification
Extraordinary Assumptions and Hypothetical Conditions

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 curbs and gutters, street lights, and so on).

Problem Identification
Extraordinary Assumptions and Hypothetical Conditions

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.

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
6. Report of the defined value opinion

(TAF 2012b, 1-20).
Appraisal Process

SCOPE OF WORK RULE

Three sections to the Rule are:
1. Problem identification
2. Scope of work acceptability
3. Disclosure obligations

(The minimum requirements for a scope of work are found in Standards Rule 6-2 and in the Scope of Work Rule.)

Appraisal Process

SCOPE OF WORK RULE

The assessor’s objective is to produce a credible mass appraisal.

In order to determine an appropriate scope of work the assessor must have the knowledge and experience to complete the mass appraisal assignment competently, which requires both proper judgment and performance.

Appraisal Process

SCOPE OF WORK RULE - general

1. Scope of work includes, but is not limited to,
   a. The extent to which the property is identified
   b. The extent to which tangible property is inspected
   c. The type and extent of data researched
   d. The type and extent of analyses applied to arrive at opinions or conclusions
Appraisal Process
SCOPE OF WORK RULE - general

2. Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work in an assignment.

3. Credible assignment results require support by relevant evidence and logic.

4. The credibility of assignment results is measured in the context of the intended use.

Appraisal Process
SCOPE OF WORK RULE - Assignment Elements

Common assignment elements are addressed in problem identification.
Assignment elements provide an appraiser with the basis for determining type and extent of research and analyses to include in the development of an appraisal.
(Similar information is also necessary in appraisal review and appraisal consulting assignments.)

Appraisal Process
SCOPE OF WORK RULE - Assignment Elements

Requires communication with client to establish most of the information necessary; however, identification of relevant characteristics is a judgment made by the appraiser that requires competency.
(applicable rules, regulations, requirements of the client in a specific assignment)
Appraisal Process

SCOPE OF WORK RULE - Assignment Conditions

Assignment conditions include

1. Assumptions
2. Extraordinary assumptions
3. Hypothetical conditions
4. Laws and regulations
5. Jurisdictional exceptions
6. Other conditions that affect the scope of work

Appraisal Process

SCOPE OF WORK RULE

A. Acceptability
Scope of work is acceptable when it meets or exceeds:

1. Expectations of parties who are regularly intended users for similar assignments, and
2. What an appraiser's peers' actions would be in performing the same or a similar assignment

Appraisal Process

SCOPE OF WORK RULE

B. Process
1. Determining scope of work is an ongoing process during the assignment
2. Information or conditions discovered during the assignment might necessitate reconsidering the scope of work
3. An appraiser must be prepared to support the exclusion of any investigation, information, method, or technique that would appear relevant to the client, another intended user, or the appraiser's peers
Appraisal Process

SCOPE OF WORK RULE

C. Assignment conditions

1. An appraiser must not allow assignment conditions to limit the scope of work to such a degree that assignment results are not credible in the context of the intended use.

2. An appraiser must withdraw from an assignment if relevant information is not available because assignment conditions limit research opportunities, unless:

   a. Modify assignment conditions to expand the scope of work to include gathering the information.
   b. Use an extraordinary assumption about such information if credible assignment results can still be developed.

3. An appraiser must not allow the intended use of an assignment or a client’s objectives to cause the assignment results to be biased.

Disclosure Requirements

A. Report must contain sufficient information to allow intended users to understand the scope of the work performed.

B. This includes disclosure of research and analyses performed and might include disclosure of research and analyses not performed.

C. There is no requirement for the scope of work to be in a defined, specific or separate section of the report.
**SCOPE OF WORK RULE** - (in mass appraisal)

In Mass Appraisal, the assessor must determine annually the work to be accomplished, including valuation strategies, data to be collected, and any refinements to existing procedures.

The assessor is responsible for the discovery, listing, and valuation of all property within a jurisdiction.

In mass appraisal where perhaps thousands of properties are valued and numerous people, working as a team, perform various aspects of the appraisal process.

This introduces administrative and management tasks far beyond that found in single property appraisal.

Resources must be assembled and allocated within budgets set far in advance of the completion of the assignment.

A high level of communication among the leadership and team members is vital to assure consistency in carrying out the scope of work. Valuation uniformity is paramount in ad valorem tax mass appraisal.

Determining a separate scope of work for each property may jeopardize that uniformity. Therefore, in mass appraisal the scope of work determination should pertain to the entire assignment, that is a population of properties.

The large amount of data used in mass appraisal requires advanced statistical applications. Statistics are required for appraisal development as well as valuation testing. This analysis is a common component in the scope of work in mass appraisal, while less important in single property appraisal.
Appraisal Process

SCOPE OF WORK RULE

Resources must be assembled and allocated within budgets set far in advance of the completion of the assignment.

A high level of communication among the leadership and team members is vital to assure consistency in carrying out the scope of work.

Valuation uniformity is paramount in ad valorem tax mass appraisal. Determining a separate scope of work for each property may jeopardize that uniformity.

Therefore, in mass appraisal the scope of work determination must pertain to the entire assignment, that is to a population of properties.

This requires a much more complex scope of work than one for the appraisal of one single property.

The assessor must consider and evaluate the quantity and quality of the existing resources those that might be needed.

These resources include: financial, staffing, and systems resources; valuation systems and support; computer-assisted mass appraisal (CAMA); geographic information; imagery; and property sales and data resources.
Appraisal Process

SCOPE OF WORK RULE

An ad valorem tax mass appraisal scope of work is effectively an overall strategic plan that contains numerous tactical segments.

Planning and managing a scope of work solution of that magnitude requires some generalizations and must provide flexibility.

The leadership team establishes policies that create the overall determinations that set the expectations for the assignment.

Appraisal Process

SCOPE OF WORK RULE

Prior to research and analysis the properties are often grouped by use-type categories and placed into sets and subsets using several variables.

This subdivision of tasks and properties creates segments within the assignment scope of work. Tasks are delegated to carry out the required segments of the overall assignment which may entail thousands of properties.

Appraisal Process

SCOPE OF WORK RULE

Each segment, whether a specific aspect of the appraisal process, a single person performing a specialized task, or treatment of a subset of properties, must share the same mission. Therefore each segment is treated as a microcosm of the entire assignment scope of work.

Flexibility must allow certain variations or exceptions to the generalized scope of work. Employing exceptions is acceptable providing they do not jeopardize valuation uniformity.
Appraisal Process

SCOPE OF WORK RULE

For example, a policy of using all three approaches to value may be a general rule for the type of analysis in the overall assignment. However, the cost and income approaches may be unsuitable when appraising vacant land. Obviously this exception does not promote inequity and therefore is acceptable.

In another case a market calibrated cost approach may be the method of valuation to the exclusion of the sales comparison and/or income approach. This would promote equity and therefore is acceptable.

Appraisal Process

SCOPE OF WORK RULE

The assessor must consider whether appropriate recognized methods and techniques are being employed or need to be implemented to produce a credible mass appraisal.

Another exception may occur at the task level, for example regarding data collection.

The overall assignment scope of work may call for complete interior and exterior property inspections. A data collector might find interior access to a specific property unattainable due to a lack of occupancy, entry refusal or any number of other reasons. In these cases the data collector may be forced to make an extraordinary assumption about the interior of the property.
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
6. Report of the defined value opinion

(TAF 2012b, 1-20).

Data collection and analysis

This step in the appraisal process includes:
• market analysis and
• highest and best use analysis.

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

In market analysis, the appraiser conducts demand, supply, and marketability studies. (each property type)

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 at its Highest and Best Use.
Data collection and analysis

Standards Rule 6-3 (a) lists the factors that affect use and value.

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.

Appraisal Process

Data collection and analysis

Standards Rule 4 (b) deals with the valuation model specification.

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 parameters of each model (specific rates, amounts or adjustments, etc. used in a specific model).

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
6. Report of the defined value opinion

(TAF 2012b, 1-20).
In developing a mass appraisal, when necessary for credible assignment results, the appraiser must:
(a) collect, verify, and analyze such data as are necessary and appropriate to develop:
   (I) the cost new of the improvements;
   (ii) accrued depreciation;
(iii) value of the land by sales of comparable properties;
(iv) value of the property by sales of comparable properties;
(v) value by capitalization of income or potential earnings - i.e., rentals, expenses, interest rates, capitalization rates, and vacancy data.

Comment: This Standards Rule requires appraisers engaged in mass appraisal to take reasonable steps to ensure that the quantity and quality of the factual data that are collected are sufficient to produce credible appraisals...”

Let’s look the complete Standards Rule 6-5 Lines 1616 - 1647
Appraisal Process

Application of the Approaches to Value

Standards Rule 6-6 states other requirements that are necessary for creditable assignment results when applying a calibrated mass appraisal model.

Let’s look the complete Standards Rule 6-6 Lines 1648 - 1670

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
6. Report of the defined value opinion

(TAF 2012b, 1-20).

Appraisal Process

Reconciliation of value indicators and final value opinions

Standards Rule 6-7 deals with the requirements for the reconciling a mass appraisal. It states:

In reconciling a mass appraisal an appraiser must:
(a) reconcile the quality and quantity of data available and analyzed within the approaches used and the applicability and relevance of the approaches, methods and techniques used; and
Reconciliation of value indicators and final value opinions (continued)

(b) employ recognized mass appraisal testing procedures and techniques to ensure that standards of accuracy are maintained.

Comment: It is implicit in mass appraisal that, even when properly specified and calibrated mass appraisal models are used, some individual value conclusions will not meet standards of reasonableness, consistency, and accuracy.

However, appraisers engaged in mass appraisal have a professional responsibility to ensure that, on an overall basis, models produce value conclusions that meet attainable standards of accuracy. This responsibility requires appraisers to evaluate the performance of models, using techniques that may include but are not limited to, goodness-of-fit statistics, and model performance statistics such as appraisal-to-sale ratio studies, evaluation of hold-out samples, or analysis of residuals.
### 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
6. Report of the defined value opinion

(TAF 2012b, 1-20).

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#### Appraisal Process

6. Report of the defined value opinion

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."
Appraisal Process

6. Report of the defined value opinion

When the assessor reports a mass appraisal, he or she is documenting the valuation.

There are 17 reporting requirements in Standard Rule 6-8

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.

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Appraisal Process

6. Report of the defined value opinion

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.

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Appraisal Process

6. Report of the defined value opinion

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 (due process documents not reports).
Appraisal Process

Reporting Steps

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.
Appraisal Process

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.

IAAO Revaluation Template

The template may be found by IAAO members logging in to IAAO.org / Appraisal Foundation Resource Page

The Revaluation Template gives certain boilerplate language that can be used if appropriate and applicable in an ad valorem mass appraisal.

While the template was developed to assist assessors in reporting development in an appraisal report by suggesting language or explaining the applicable USPAP reference, it should be understood that the template is not a template for a complete USPAP compliant report.

Let’s review the Template
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.

Let's review these in On the Trail - page 13 or see the following slides.

- 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.
Appraisal Process

• 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.
Appraisal Process

• 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.

Appraisal Process

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.

Appraisal Process

• 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 ____________________________.
Standards Rule 6-9 - signed certification

The appraiser’s certification is a declaration of the ethical principles related to development and communication.

The signed certification evidences an appraiser’s recognition of his or her ethical and performance obligations. It must be included in any written report.

Let’s review Standards Rule 6-9 - USPAP page U-55 – lines 1762-1820

Elements of the certification apply to:
- development
- professional and unbiased opinions
- compliance with USPAP
- inspections
- significant assistance

Care should be taken in wording certifications in ad valorem mass appraisal assignments as the report of the complete revaluation is made by the assessor and not the individual appraisers and/or staff.

Advisory Opinion 32 – Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments

This guidance from the ASB is provided to address the application of USPAP to appraisal and mass appraisal assignments for ad valorem taxation.

The following slides will cover key concepts of this important Advisory Opinion.

Also we will look at AO32 – USPAP pages 108-111
Advisory Opinion - 32

Advisory Opinion 32 – Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments

There were misunderstandings of the application of the appraisal standards in ad valorem mass appraisal assignments by persons who were not familiar with USPAP and Ad Valorem Mass Appraisal.

Misunderstandings related to due process notices, what appraisal standards applied to assessors, who was an intended user of the mass appraisal,

These issues and others are addressed in AO - 32

Advisory Opinion - 32

Application of AO-32

The keys to distinguishing a mass appraisal are:

1) the subject of the appraisal is a “universe” of properties, meaning more than one property; and

2) the assignment involves standard methodology employing common data that allows for statistical testing. These models may be based on the cost approach, the income approach and/or the sales comparison approach to value.

Advisory Opinion - 32

Topics included in AO-32 and key

- Intended Use and Intended User
- Scope of Work
- Reporting
- Workfile Requirements
- Jurisdictional Exceptions Rule
- Illustrations (what standards apply)
Class Group Exercise
You have completed your ad valorem mass appraisal for the upcoming tax year. As the assessor you want to document and report this valuation.

In classroom work groups, discuss information you want to include in the report of the residential property valuation and outline the information needed in that report. Choose a group leader and reporter for this exercise. You may be asked to report your findings.

Use the article On the Trail: A guide to USPAP for Assessors and the IAAO Revaluation Template to assisted the group.

You have 35 minutes to complete this exercise.

Summary
The course has covered, from an assessors perspective, how USPAP applies to ad valorem mass appraisal. We have studied:

• the history appraisal standards, IAAO and the Appraisal Foundations
• the organization and structure of USPAP
• how USPAP applies to assessors
• requirements and differences of USPAP in the development of an appraisal and a mass appraisal according to USPAP
• requirements for reporting an appraisal/mass appraisal

Conclusion
We hope you enjoyed the course and found it meaningful.

Thanks for coming and enjoy the conference.

Now it is time for a quiz…