

## General DGS Appraisal Specifications (dated 04/11/14)

All appraisals/appraisal reports prepared for the Department of General Services (DGS) must be fully compliant with the Uniform Standards of Professional Appraisal Practice (USPAP). Appraisal reports must be, at a minimum, prepared as Appraisal Reports, as defined by USPAP.

**These specifications apply to appraisal /appraisal reports which are for assignments not subject to eminent domain requirements or for MALPF.**

The Definition of Market Value to be used is:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

In addition, the following must be strictly adhered to.

### **A. The description of the subject property must include, at a minimum;**

- 1) the size of the subject property (and parent tract, if applicable) and the source for those areas. The rationale for the parent tract should be included, if applicable;
- 2) the location, including the County, town/zip code, street location (street address or North side, East side, both sides, etc)
- 3) the approximate amount of road frontage (on each road that the subject property fronts), If there is no direct road frontage, how is the property accessed? Is the frontage/access sufficient for development;
- 4) the zoning of the subject including primary permitted uses and **the base development**

**density and the number of potential development rights.** It is **not** sufficient to simply place a copy of a portion of the zoning ordinance in the body or addenda of the report;

5) a description of the topography including the amounts of tillable, pasture, woodland, marshland/wetlands, etc.

6) identification of amount of water frontage and acreage of critical areas, if applicable;

7) what utilities are available as of the date of value and what utilities would be required for future development;

8) the tax map, grid, and parcel(s) reference;

9) the deed reference with a **minimum five year sales/transfer history**, which must include grantor, grantee, sale date, sale price and whether the appraiser considers the transaction to be arms length for each prior sale. If the most recent transfer predates 5 years prior to the date of value, then the appraiser must provide this data for that most recent transfer;

10) a portion of a tax map which includes **all** of the boundaries of the subject property with the boundaries of the subject property highlighted. Tax maps from the Maryland Department of Assessments and Taxation website, which do not show all of the boundaries of the properties will not be accepted.

11) If improved, a complete description of each improvement including building area, style, materials, quality of construction, overall condition, and any other details that are pertinent to value;

12) any other pertinent information/characteristic concerning the subject property that the appraiser relied upon, especially if the appraiser is to make an adjustment for the characteristic.

**B. Highest and best use analysis must:**

1) address each of the tests of highest and best use in a specific, not generic, manner;

2) provide a specific conclusion of highest and best use and a specific rationale for the conclusion of highest and best use. Statements such as, "...The highest and best use of the subject property is development in conformity with existing zoning..." are not acceptable.

3) the highest and best use conclusion must be an economic use. For example, a public use is a non-economic use. The courts have held that "...the use to which the

government...devoted the property should not be considered unless private owners could also reasonably devote the property to that use.” (Unites States v. 320. acres of land, 605 F.2d 762, 785, n.26 5<sup>th</sup> Circuit 1979)

**C. For the Sales Comparison Approach, for each comparable sale, the appraiser must, at a minimum identify/provide:**

- 1) the grantor and the grantee;
- 2) the date of sale;
- 3) the sale price and price per unit (clearly indicating whether the unit price is inclusive or exclusive of the contributory value of any improvements). When deducting/adjusting for the contributory value of improvements, the basis for the magnitude of the adjustment must be explained;
- 4) the location, including the County, town/zip code, street location, and **the distance from the subject property**;
- 5) the tax map, grid, and parcel(s) reference;
- 6) the deed reference;
- 7) zoning, including principal permitted uses, base development density, and minimum lot size;
- 8) number of potential development rights;
- 9) the area of the property;
- 10) the approximate amount of road frontage. If there is no direct road frontage, how is the property accessed? If the frontage/access sufficient for development;
- 11) the (approximate) percentage of tillable, pasture, woodlands, marshland/wetlands etc., if applicable. A statement similar to “The sale is mostly tillable.” is not acceptable;
- 12) the highest and best use of the comparable sale property and motivations behind the sale, if known;
- 13) identification of amount of water frontage (including body of water, linear frontage, and depth of water) and acreage of critical areas, if applicable;
- 14) If improved, a complete description of each improvement including building area, style, materials, quality of construction, overall condition, and any other details that are

pertinent to value;

15) both the data source and verification source for the sale;

16) any other pertinent information/characteristic concerning the sale property that the appraiser relied upon, especially if the appraiser is to make an adjustment for the characteristic;

17) a portion of a tax map which includes **all** of the boundaries of the comparable sale with the boundaries of the comparable sale highlighted. Tax maps from the Maryland Department of Assessments and Taxation website, which do not show all of the boundaries of the properties will not be accepted.

**D. For the Sales Comparison Approach, a sales comparison grid must be included.**

1) For each sale, the grid must include the grantor/grantee, date of sale, the location of the sale (town and county) the distance of the sale from the subject property, the nominal sale price, the unit sale price, the zoning of the sale, and the highest and best use of the sale including the development potential of the sale.

2) In the analysis of each sale, the appraiser must make quantitative adjustments (percentage or dollar adjustments), not qualitative adjustments (simply making + or - adjustments). The appraiser must provide specific rationale/support for each adjustment. Quantitative adjustments supported by qualitative reasoning is acceptable, but the rationale must be specific. Vague reasons such as 'market is appreciating', 'the sale is a better location' or 'the sale has inferior topography are not acceptable. Absence of market condition adjustments must also be supported.

3) Summation appraisals without support are prohibited in keeping with USPAP Rule 1-4(e) which states; "When analyzing the assemblage of the various estates or component parts of a property, an appraiser must analyze the effect on value, if any, of the assemblage. An appraiser must refrain from valuing the whole by solely adding together the individual values of the various estates or component parts."

**E. Reconciliation:**

In accordance with Standards Rule 2-2 (a) (viii) of USPAP: "*Summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports, opinions, and conclusions...The appraiser must provide sufficient information to enable the client and other intended users to understand the rationale for the opinions and conclusions, including reconciliation of the data and approaches in accordance with Standards Rule 1-6*".

The appraisal report must provide clear and specific rationale supporting the final conclusion of value. This rationale may be based on one of the adjusted sales or a blending of several of the sales, but must not simply represent an averaging of one or more of the sales. Clearly, the wider the spread between the adjusted sales, the more detailed the rationale must be. Ultimately, the reconciliation should allow the reader to understand why the conclusion of unit value was selected, rather than some other unit value within the adjusted range.

**F. In addition to the USPAP requirements for the appraiser's certification:**

The appraiser's certification must state that "all of the comparable sales used in this report have been inspected from at least the public street."

**G. At a minimum, the appraisal reports must contain the following exhibits, etc.**

- 1) photographs of the subject property;
- 2) photographs of the comparable sales;
- 3) sales location map, showing the relative location of the subject property and the comparable sales. This map (and/or the combination of this map and the required tax maps) must be of sufficient detail to allow the client to locate the subject property and the comparable sales in the field;
- 4) a copy of the appraisal specification page from the DGS contract;
- 5) any other pertinent exhibits.

**H. Before and After Appraisals**

For those assignments where the subject property would be an uneconomic remnant as a stand alone parcel, the appraisal/appraisal report should be done in a before and after format and must consider the effect on value to the remaining parent tract. **In such assignment specific appraisal instructions, on a case by case basis, may be necessary.**