

CHAPTER 16

Appraisals

Table of Contents

<u>Paragraph</u>	<u>Title</u>	<u>Page</u>
1.	Policy . . . . .	16-1
2.	Standards. . . . .	16-1
3.	The Appraisal Function . . . . .	16-1
4.	Qualifications of a Navy Staff Appraiser . . . . .	16-1
5.	Types of Appraisal Requirements. . . . .	16-3
6.	Delegation of Authority. . . . .	16-5
7.	Qualifications of a Contract Appraiser . . . . .	16-5
8.	Government Estimate for Appraisal Contracts. . . . .	16-6
9.	Appraisal Selection Board. . . . .	16-6
10.	Solicitation of Proposals. . . . .	16-6
11.	Contract Scope of Work . . . . .	16-7
12.	Proposal Response. . . . .	16-8
13.	Selection of Appraisals. . . . .	16-8
14.	Negotiation of Fee . . . . .	16-8
15.	Appraisal Contracts. . . . .	16-9
16.	Funds Chargeable for Appraisal Services. . . . .	16-9
17.	Distribution of Appraisal Contracts. . . . .	16-9
18.	Appraisal Methods. . . . .	16-10
19.	Appraisal Format . . . . .	16-10
20.	Special Technical Reports. . . . .	16-11
21.	Government Outlease Restrictions . . . . .	16-13
22.	The Before and After Method. . . . .	16-14
23.	Appraisal Review . . . . .	16-14
24.	Review Certificate . . . . .	16-15
25.	Questionable Valuation/Wide Spread . . . . .	16-16
26.	Submittal Requirements by Commander, Naval Facilities Engineering Command. . . . .	16-17
27.	Updating Appraisals/Re-Appraisals. . . . .	16-17
28.	Prohibition Against Disclosure of Appraisal Information	16-17

APPENDIXES

- Appendix 16-A Contract for Appraisal Services, NAVFAC 11011/7 (5-71)
- Appendix 16-B General Specifications for the Appraisal Report
- Appendix 16-C Review Certificate Statement (Format)

425

(8)

CHAPTER 16

APPRAISALS

1. POLICY.

In acquiring real property, or any interest therein, it is the policy of the Commander, Naval Facilities Engineering Command (NAVPACENGGCOM) to impartially protect the interests of all concerned. An efficient, competent, and responsive appraisal program is essential to the successful planning and execution of real property acquisition, management, and disposal functions.

2. STANDARDS.

a. Appraisal preparation, documentation, and reporting shall be in conformity with the requirements of the Uniform Appraisal Standards for Federal Land Acquisitions (USFSLA), the Uniform Relocation Assistance and Real Property Acquisition Policies Act, Public Law 91-646 (49 C.F.R. 24.103(d)), and the Uniform Standards of Professional Appraisal Practice (USPAP). Insofar as there may be any conflict between these requirements and the following provisions of this Chapter, the latter shall control.

b. The material contained herein is not intended to limit the scope of appraisal investigations, or to bias the independent judgment or value conclusions of appraisers employed or engaged by the Department of the Navy.

3. THE APPRAISAL FUNCTION.

Appraisals are important in obtaining Departmental and Congressional authorizations and approvals. Appraisals are essential in the acquisition, management, and disposal of real property. Success or failure of these actions depends to a large measure upon quality appraisal procurement, preparation, and review.

4. QUALIFICATIONS OF A NAVY STAFF APPRAISER.

The Navy staff Appraiser is the technical consultant for the Engineering Field Division (EFD), or the Engineering Field Activity (EFA), on procurement, preparation, and review of appraisals. He, or she, must observe the highest standards of professional ethics, and have sufficient background, knowledge, and experience to provide opinions of value, or review and approve another appraisers' opinion of value, in accordance with recognized standards of professional appraisal practice.

427

212

a. Appraisal Experience. As a minimum the Staff Appraiser should have at least two years of appraisal experience and have successfully completed at least 125 hours of real estate appraisal courses, which includes coverage (15 hours) of the USPAP. The Senior Staff Appraiser, and/or Review Appraiser, should have at least three years of appraisal experience and have successfully completed 180 hours of real estate appraisal courses, which also includes coverage of the USPAP.

b. State Certification. Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 Public Law 101-73 (FIRREA) requires the establishment of State programs for the licensing and certification of professional real estate appraisers. Although federal employees are exempt from the requirements established by FIRREA, all Navy staff appraisers and review appraisers are required to comply with the USPAP, and are encouraged to seek state certification as a Certified General appraiser in at least one State or territory.

c. Continuing Education. The Department of the Navy recognizes the need for a requirement of continuing education for Staff Appraisers who must perform real estate appraisals, and appraisal reviews in compliance with the Competency Provision, and all other applicable sections of the USPAP. Staff Appraisers must successfully complete at least 45 classroom hours of real estate appraisal courses over each three-year period. In order to maintain their specific level of approval authority, Senior Staff Appraisers and Review Appraisers are required to successfully complete at least 60 classroom hours of real estate appraisal related courses over each three-year period. If there is a state continuing education requirement of more than the previously mentioned minimum requirements, the state requirement will be considered as the minimum requirement for any person who has chosen to become a Certified General appraiser in that State.

d. Sources. Real estate appraisal courses, case-study material, publications, and handbooks used by professional appraisal organizations, such as the appraisal groups that are member organizations of the Appraisal Foundation, are useful sources of information in connection with meeting competency requirements of the profession and the preparation of appraisals.

e. Major Duties. The following is a list of the Staff Appraiser's major duties (as delegated):

Prepares

- (1) Appraisals
- (2) Estimates
- (3) Studies

Procures Contract Fee Appraisals

- (1) Maintains current roster and availability file
- (2) Prepares scope of work
- (3) Prepares Government cost estimate
- (4) Ensures availability of contract funding
- (5) Solicits and reviews proposals
- (6) Makes recommendations on selection to the Real Estate Contracting Officer
- (7) Negotiates, or assists in negotiating, contract fees
- (8) Manages contracts in progress, obtains revisions

Reviews Contract Fee Appraisals

- (1) Compliance with contract terms and conditions
- (2) Compliance with Uniform Standards
- (3) Policy and procedure requirements
- (4) Quality and appraisal soundness
- (5) Approves or recommends disapproval of value (if authority is redelegated)
- (6) Writes review certificate with recommendation
- (7) Approves appraisals for payment

Coordinates Appraisal Function

- (1) Within the Command, and other Commands
- (2) With local U. S. Attorney
- (3) For pre-trial preparation and trial testimony
- (4) With other Government agencies

5. TYPES OF APPRAISAL REQUIREMENTS.

Appraisal requirements vary with the types of actions discussed herein.

a. Acquisition. When the estimated fair market value per parcel (or a total of all parcels in a single ownership) does not exceed \$500,000, one appraisal will be obtained. When that figure is exceeded, two appraisals are required unless approval is obtained from the NAVFACENGCOCM Chief Appraiser for the use of a single appraisal. Only one appraisal is required in the land planning report phase. When the project is authorized and acquisition funding is anticipated, the original appraisal(s) will be updated and, if needed, an additional appraisal will be obtained to meet the requirement for two reports. Acquisition appraisals will normally be contract appraisals. However, for acquisitions not exceeding \$100,000, a staff appraisal may be used, provided, the review appraiser is not the same person who prepares the appraisal. The possibility of condemnation must be considered because the Department of Justice will probably require a contract appraiser for court testimony.

429

5/11

b. Disposal. Disposal includes granting property rights through fee simple conveyances, easements, leases, and licenses. Appraisals for disposals must meet the same technical quality standards as appraisals for acquisitions, but not necessarily all the formal UASFLA requirements for acquisition and condemnation. Appraisals for fee disposals differ from acquisition appraisals when the property is known to be contaminated. Appraisals for disposals also differ in requiring certain assumptions to allow standard appraisal methods to be used.

c. Fee Disposal. One Navy (staff or contract) appraisal is required for any conveyance of fee title through sales, exchanges, donations, etc. Review of an acquiring party's appraisal does not suffice, except by waiver from the NAVFACENCOM Chief Appraiser. No appraisal is required for property declared excess to GSA or the types of property to be conveyed at no charge to another federal agency. Appraisal for a disposal through an exchange will meet the same standards as a fee disposal. One separate appraisal is required for each parcel in an exchange.

d. Easements. For the granting of easements, one appraisal (staff or contract) is required except where 5.i. below applies. Consideration should be given to requiring parties seeking to acquire an easement across Government lands to provide, at their cost, an appraisal. In those instances, the staff appraiser must assist in the preparation of the scope of work for the appraisal assignment, approve the selected fee appraiser or roster of appraisers, and review the final appraisal report to ensure soundness of factual data, analysis, and conclusions, and that the interests of the Government are protected.

e. Outleases (Negotiated). One appraisal (staff or contract) will be obtained for negotiated outleases except where 5.i. below applies. A contract appraisal is required if the proposed lease is controversial, or if a major special purpose facility such as a shipyard or an industrial reserve plant is involved which requires the detail of the appraisal process.

f. Outleases (Competitive Bid). When normal competitive bid procedures are used for outleasing, a staff estimate is generally sufficient because responsive competitive bidding should test the soundness of the estimate. As stated in 5.e. above a contract appraisal is required for controversial leases and special purpose facilities.

g. Inleases. When leasing property, other than family or bachelor housing units, for Navy use, one appraisal (staff or contract) is required. Normally no appraisal is required when leasing family or bachelor housing units unless the action is controversial, or a large number of units are involved. When an appraisal is not obtained, information on comparable rental units should accompany proposals when submitted for EPD/EFA action.

h. Restoration Claims. When claims arise as to liability for restoration of leased property, an estimate of such restoration costs will be obtained from a qualified engineer, builder, or contractor. The estimate, whether made by contract or staff personnel, will be reviewed by the staff appraiser.

i. Waiver of Appraisal. Time consuming and lengthy appraisal reports should be avoided in the case of low value outgrants of Government-owned property. The requirement for a formal appraisal and physical inspection may be administratively waived by the EPD/EFA. This provision recognizes situations which frequently cost the Government unwarranted time and travel costs involving cases minor in scope. In such situations, the staff appraiser should be familiar with the facility and general local market conditions. In lieu of an appraisal, the staff appraiser should file a memorandum setting forth the requirement, data that was considered, and conclusions. The decision concerning the necessity for an appraisal rests with the appraiser executing the memorandum since he or she is responsible for the value estimate. The requirement for an appraisal will not be waived if the action is controversial. A low value grant for the purpose of this paragraph is defined as any grant for which the fair market value, fair market annual rental, or easement value, does not exceed \$25,000.

6. DELEGATION OF AUTHORITY.

The Commander/Commanding Officer of the EPD/EFA, acting through his/her Real Estate Contracting Officer(s) is hereby authorized to select a contract appraiser from the approved list provided for in the next paragraph, negotiate the terms and conditions of the contract, prepare the contract, make the award and execute the contract for appraisal services, without further reference to NAVFACENGCOM. The authority delegated herein may be redelegated.

7. QUALIFICATIONS OF A CONTRACT APPRAISER.

a. The UASFLA and 49 C.F.R. 24.103(d) require that all detailed (narrative) appraisals be prepared by a State Certified appraiser in the state where the property is located. The reports, as a minimum requirement, must be in conformance with the USPAP. The Department of the Navy may make an exception to this requirement on a case by case basis, where timber, mineral or other valuation specialists may not be required to hold a state certification.

b. Whenever it becomes necessary to obtain the services of a contract fee appraiser for an acquisition, it should be anticipated that he, or she, may be required to testify as an expert witness in legal proceedings. Therefore, it is necessary that the appraiser selected be acceptable to the local United States Attorney. To facilitate the selection of qualified appraisers, the Commander/Commanding Officer of the EPD/EFA shall establish, and maintain, a roster of state certified appraisers who have indicated their interest in accepting appraisal assignments of the Navy. The United States Attorneys for each judicial district should be requested to indicate

which appraisers on the roster are satisfactory for testimony in condemnation proceedings. When an appraiser not previously submitted for approval by the United States Attorney is being considered, the United States Attorney should be requested to indicate whether that appraiser is approved for inclusion on the Approved Roster. An appraiser may be qualified in more than one state provided he, or she, has obtained the required certification from each state. The qualifications, experience, and other specific information concerning the roster appraisers should be maintained and kept current at each EPD/EFA. In some judicial districts, United States Attorneys may not maintain and approve their own roster of appraisers. In such cases, the approval of the United States Attorney will be obtained prior to the solicitation of the proposals required in procurement. If approval cannot be obtained and the EPD/EFA considers the individual, or firm, well qualified for the assignment, the matter can be submitted to NAVFACENGCOCM for review.

8. GOVERNMENT ESTIMATE FOR APPRAISAL CONTRACTS.

It is of utmost importance that a Government Estimate be prepared for Board review, prior to negotiating a fee contract. This estimate will be used in determining the reasonableness of the appraiser's fee. The estimate will be developed with due consideration to the relative skill and ability required in solving the appraisal problem and the appraiser's time and expense required in preparation of the report. The estimate should be prepared by the staff appraiser and should include such items as estimated man-days, per diem rates, travel, consultant fees, printing, overhead and other expenses reasonably projected in performance. The original of the Government estimate must be made a part of the contract file record.

9. APPRAISAL SELECTION BOARD.

The Commander/Commanding Officer of the EPD/EFA, will establish a Board to select appraisers. Representation of the real estate group will be included on the Board membership. The Command will make every effort to engage the services of State Certified local appraisers and consultants that are qualified for a particular assignment. In unusual circumstances occasioned by special purpose property requirements, the geographical area may be expanded.

10. SOLICITATION OF PROPOSALS.

The Board will select from the roster not less than three appraisers, if for one contract, nor less than five appraisers, if for two contracts, who appear qualified for the particular appraisal assignment. Solicitation will be made in an impartial manner to avoid favoritism and the concentration of Navy appraisal work in a small group of appraisers. Solicitation for the preliminary proposals may be by letter, telephone, or personal interview. The same information must be provided each prospective appraiser. The solicitation for a preliminary proposal will identify the project, list the evaluating factors to be considered in awarding the contract, reserve the right

to accept other than the lowest price offer, and include an inquiry as to whether the appraiser has a prospective or future interest in the property to be appraised, as such an interest would disqualify him for the assignment. Formal selection Board procedure may be waived on contracts not exceeding \$2,500. Solicitation of proposals are not required on such contracts. The EFD/EFA staff appraiser would select qualified contract appraisers, and alternates, from the roster in an impartial manner; inquiry as to availability and interest would be made. A report with the staff appraiser's recommendations, government estimate, and scope of work would then be submitted for Board action. Upon acceptance, the Board should recommend the selection to the real estate contracting officer for contract award. Maps and scope of work would be transmitted to the selected appraiser(s), followed by contract negotiations. All actions would be properly documented and made a part of the EFD/EFA case file. Should negotiations not produce agreement with the selected appraiser(s), alternates would be contacted.

#### 11. CONTRACT SCOPE OF WORK.

Solicitation for preliminary proposals should clearly define the "scope of work" for the contract. The contents of the scope of work should not limit the appraiser so that the resulting analysis, opinion, or conclusion would tend to mislead or confuse the client, the users of the report, or the public. An appraiser must be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal. Specific information regarding the assignment, and the property, should be provided in the scope of work. However, it is not policy of the Navy to limit the amount of investigation and analysis which an appraiser considers necessary to form an opinion of value that is in compliance with the contract and the USPAP. The purpose of the appraisal requirement will be noted and details covering number of parcels, improvements, land areas, and maps should also be transmitted. Clear communication should be established on any suggested premise or requirement for the appraiser to consider. The solicitation should inform proposers of any pertinent data available for review at the EFD/EFA such as construction plans, photographs, etc. In most cases, the contract scope work, and the contract for appraisal services, should have a provision for a joint field review with the Navy review appraiser at the time highest and best use and principal data have been collected and analyzed by the contract appraiser.

12. PROPOSAL RESPONSE.

The appraiser should indicate his or her interest in making the appraisal, ability to meet the time schedule, or furnish an alternative completion date. The response should include specific qualifications for the particular project and ability to perform. If the appraiser was involved in recent litigation on similar assignments, the outcome should be discussed including reference to court acceptance of qualifications, testimony, and awards. The prospective appraiser should submit an estimated fee at this time. If sufficient favorable replies are not received, additional solicitation may be made until favorable replies are received.

13. SELECTION OF APPRAISERS.

The Board will review the qualifications and proposals of the appraisers who are interested in performing the appraisal services and any additional information provided by the staff appraiser. In making its selection, the Board will give equal consideration to the following:

- a. Best qualified appraiser(s) to provide a valuation for the property to be appraised, such as a sample of work;
- b. Information provided in the technical proposals;
- c. Time required to complete appraisal;
- d. Ability to appear as expert witness(es) in condemnation proceedings, when applicable;
- e. Results obtained from same appraiser(s) in other cases, including results of trials in which he, or she(they) acted as expert witness(es), when applicable; and,
- f. The appraiser's estimated fee.

14. NEGOTIATION OF FEE.

The Board will negotiate with each selected appraiser individually, to arrive at a final fee. This may be accomplished by direct negotiations or by mail, depending on the circumstances and the costs involved to conduct direct negotiations. The Board, in determining the fee, should consider:

- a. The number of days the appraiser will devote to the project and per diem (compare with rate charged to private clients);
- b. The number of days for assistants and the per diem;
- c. Fees for technical experts, such as timber cruisers, geologists;
- d. Charges for clerical help;



- e. Charges for supplies, such as photographs; and,
- f. Charges for overhead, transportation, and profit.

During the negotiations, to arrive at a mutually satisfactory fee, negotiations may also be conducted to reach an agreement on a satisfactory fee for updating the appraisals at any time within a two-year period from the date of the appraisal. If a satisfactory agreement cannot be reached with the selected appraiser, the Board will negotiate for a satisfactory agreement with an appraiser previously solicited who, in the Board's opinion, is also qualified. Contract awards will be made promptly and the appraisers who were considered, but not selected, will be notified that the contract for appraisal services has been awarded to another appraiser.

#### 15. APPRAISAL CONTRACTS.

After an appraiser has been selected and a satisfactory agreement, including the fee, has been negotiated, the appropriate Real Estate Contracting Officer will execute an appraisal service contract NAVFAC 11011/7 "Contract for Appraisal Services," Appendix 16-A. This form has been approved by Counsel for NAVFACENGCOM and any changes required shall be approved and initialed by the Counsel of the EPD/EFA concerned. Each contract entered into pursuant to this instruction will be assigned a contract number from the block of numbers supplied to the Commander/Commanding Officer of the EPD/EFA. The contract scope of work (paragraph 11.) may be included in the contract form.

#### 16. FUNDS CHARGEABLE FOR APPRAISAL SERVICES.

Expenses for obtaining appraisal services for the acquisition of real property for MCON and MCNRF projects are chargeable to program assignments issued for planning purposes. When performing appraisal services for other Commands within the Navy, funds will be made available from such Commands to the performing EPD/EFA when contract costs are established. Housing appraisals and chargeable tasks will be funded through the Housing Budget. The EPD will program in the annual budget submission for all other requirements.

#### 17. DISTRIBUTION OF APPRAISAL CONTRACTS.

Completed appraisal services contracts (NAVFAC 11011/7) will be distributed as follows:

- Signed Original: EPD/EFA Files
- Signed Original: Contractor
- Signed Copy: EPD/EFA Files
- Signed Original: EPD/EFA Comptroller, Code 01  
(without exhibits)

A copy of the contract must be attached to all appraisals forwarded to NAVFACENGCOM for final review.

18. APPRAISAL METHODS.

Making an appraisal is solving a problem. An unbiased solution requires interpretation, in terms of money, of the economic, sociological, and environmental forces on a specific property. The appraisal process is an orderly program by which the problem is defined, the work necessary to solve the problem is planned, and the data involved is acquired, classified, analyzed and interpreted into an estimate of value. Appraisal methods used by Navy staff and contract fee appraisers shall be in accord with current standards of professional appraisal practice involving the application of standard approaches to value; namely, the cost, income capitalization, and sales comparison approaches. The application of the approaches to value depends upon the appraisal problem involved and the appraiser's professional judgment in preparation. Deviation from normal practices requires supporting comment and justification. Appraisal practices, methods, and techniques are fully described in current professional appraisal manuals, text books, journals, and periodicals. It is recognized that the appraisal format and the methods of documentation that are applied must be of a reasonably flexible nature. Each appraisal problem must be considered as to the effective appraisal procedures which, in the judgment of the individual appraiser, are applicable and can be practically applied to the subject property. If presentation is not clear, reasoning not sound, and/or data not adequate, the review process will uncover such weaknesses and further action will be required to correct these, or any other deficiencies.

19. APPRAISAL FORMAT.

The appraisal report is an important document which serves as a material aid in negotiations and as a basis in justifying expenditure of public money. It is, therefore, essential that its contents reveal that the appraiser has made an adequate study and analysis of the appraisal problem and has considered all available, pertinent, and reliable data, and that he has used sound and logical reasoning in developing his value conclusions. Appraisal reports will be prepared in narrative form and will include, as a minimum, all essential data to disclose the purpose of the appraisal, the scope of the appraisal problem, and the principal methods and reasoning processes employed, and all available pertinent supporting data to sustain the appraiser's final conclusion as to value. The report will be appropriately indexed and arranged as to convince a reader that a thorough investigation has been made and that the value conclusion has been based upon sound interpretations of adequate and reliable data. On acquisition projects, such items as photographs, sketches, charts, and exhibits, etc., are considered an integral part of each appraisal report. These items are normally needed on appraisals prepared for other purposes; however, judgment may be exercised in conserving time and expense, especially in appraisals involving small sums of money (see paragraph 5.i. herein). The use of a standardized appraisal report form does not adapt itself to the Department of the Navy appraisal requirements. The use of printed appraisal forms often leads to inferior appraisal performance and may hinder the application of appropriate appraisal methods and techniques and essential discussion and analysis of market data. The Department of the Navy

often requires special purpose property appraisals on numerous types of real property which involves evaluation of various estates. Exercise of good judgment in the procurement stage with a clear understanding of the contract scope of work between the parties, should promote professional response which is credible in format and preparation. "General Specifications for the Appraisal Report", Appendix 16-B, is an outline of minimum essentials which can be enlarged upon or modified, but omissions should be justified by narrative.

## 20. SPECIAL TECHNICAL REPORTS.

Unless the person who is appraising the real property has had training and experience in technical areas such as hazardous substances, machinery and equipment, minerals, timber, and/or growing crops, a special report will also be required from a firm or individual qualified to perform this service. Whenever this is done, care must be exercised to avoid additive values or the duplication of value described in 20.c. below. The following sub-paragraphs list some of the special reports necessary in dealing with various types of properties. The principal contractor (contract fee appraiser) may sub-contract for a special report when required. It is preferable that the principal contractor let the sub-contract and manage the special report. The Government Estimate will provide for this in the cost projection. A separate contract may be awarded by the Government for the special report if the staff appraiser performs the principal appraisal, or if it is determined to be in the Government's best interest to do so. In either instance, care must be exercised relating to contribution when considering highest and best use.

a. Hazardous Substances. "Hazardous substance" refers to health hazards within, around, or near a property that may, or may not, have an effect on its value. The typical appraiser does not have the knowledge or experience required to detect the presence of hazardous substances or to measure the quantities of such materials and would, therefore, require the professional assistance of others. When a parcel is being acquired by the Government, the appraiser should be cautioned that the value of a property impacted by environmental hazards may not be measurable simply by deducting the apparent costs to remove the hazardous material from the value of the property in its "clean" condition. The possibility of other changes affecting value such as a change in the highest and best use, or marketability, should be considered. Environmental engineers, inspectors, and other professionals who prepare technical reports, furnish advice, or make findings that are used in the appraisal report, must be named in the Certification section of the report. If the property being appraised is known to be affected by hazardous substances, or if there is reason to believe that it may be so affected, the appraiser cannot exclude the consideration of such materials without limiting the scope of the appraisal. Appraisals with disclaimers regarding the lack of consideration to the affect of any existing hazardous material are not sufficient. Any appraisal which does not address the impact of known hazardous substances on the property's value should not be accepted. In those instances where a property that is owned by the Government is being disposed of, the appraiser should be instructed to consider that

the property has been remediated for hazardous material in accordance with applicable State and Federal guidelines. However, this does not lessen the appraiser's responsibility in determining the highest and best use of the property, and its marketability, based on the proposed degree of clean-up by the Government.

b. Machinery and Equipment. Machinery and Equipment valuations require a specialist qualified to perform the appraisal service. The appraisal of industrial, commercial and special purpose properties often require special technical reports in a particular valuation field. The scope of appraisal assignment shall clearly indicate the type of value required such as value in place, salvage value, etc.

c. Minerals. In cases where it has been determined that the property rights to be acquired include subsurface interests such as oil, gas, minerals, or others, a special report will be obtained. This report will be incorporated in the appraisal report on the real property to arrive at the valuation of the whole property. In all cases, the value of the subsurface interests will be included or accounted for in the appraisal report in such a manner that negotiations may be readily conducted to acquire or extinguish subsurface rights if they are outstanding in third parties or if it develops that the vendors desire to reserve them. Since the removal of certain minerals may destroy or affect the usefulness of the surface, care should be exercised to avoid duplication of value. It shall be the duty of the Real Estate Contracting Officer (of the EPD/EPA) to solicit a written report from the Chief, Office of Mineral Resources, U.S. Geological Survey, 913 National Center, Reston, VA 22092. Reference the Mineral resource Data System in requesting information regarding what mineral deposits are known to exist that have a potential commercial value. The report shall be requested as soon as the EPD is authorized to proceed with advance planning for an acquisition project. No Geological Survey report shall be requested if it is a matter of common local knowledge that such minerals do not have a marketable commercial value. Information received from the U.S. Geological Survey shall serve as one of the bases for a determination as to whether or not a full mineral report should be obtained.

d. Growing Crops. Crop appraisals will not ordinarily be necessary except in those cases where the Commander/Commanding Officer has determined that possession of the crop land is necessary prior to the normal harvest period. When the Commander/Commanding Officer has determined that the landowner or tenant cannot be permitted to harvest the crops, they will be appraised as separate property items. The crop appraisal will identify the crops by type, number of acres, estimated yield per acre (taking into account all hazards), the unit value, gross market value at maturity based upon current local prices for the commodities less cost of bringing to maturity, harvest, and delivering to available markets. The expected harvest period will be reported together with other pertinent information in order to indicate an approximate date when the crop land may be available for construction purposes.

e. Timber. Where the land to be appraised does not have timber of merchantable size or pulpwood in commercial quantities, the value thereof shall be included in the value of the land. If the timber is of merchantable size, it will be appraised as such and classified in the appraisal according to species, type, range of size, quantity (in board feet), unit value, and total value. The identity of the log rule used, the type of cruise, the minimum size logs included as saw timber, and a discussion of logging, haulage, and market conditions should be given. The total value of timber should reflect the amount by which the timber enhances the market value of the land. Often the value of the timber represents the major value of the land since, after its removal, the land may have no particular use, except for reforestation for an indeterminate period of time. Pulpwood in commercial quantities should be valued separately. However, it is the responsibility of the appraiser making the overall property appraisal to give consideration to all factors involved in the correlation of the timber cruise and land value so as to reflect fair market value as an entirety.

21. GOVERNMENT OUTLEASE RESTRICTIONS.

Whenever appraisals are required on Government-owned property to be outleased subject to government restrictions and/or reservations, the appraisal shall indicate the effect, if any, upon fair rental value. Such items as restricted use, cancellation provisions, insurance, obligated long-term maintenance, security, crop limitations, and cost of services such as soil erosion, dust suppression, etc., must be discussed and justified if considered allowable deductions. The appraiser should also consider benefits of a location within a military reservation, such as the higher degree of security, or a lower cost of utilities. The fair market rental value, with and without restrictions, require discussion and development in detail. In a typical market real estate lease, the landlord assumes the cost of taxes, insurance, and exterior maintenance. Government property is not taxed but this benefit must not pass to the tenant in the form of reduced rental. The appraiser should estimate the rental value based on the premise that the property is taxed, that the landlord pays the taxes, the insurance premiums, and provides for exterior maintenance. An estimate is then made of the insurable value and the prevailing premium on the particular kind of building. An estimate shall also be made of the annual cost of maintaining the exterior. Adjustments can then be made depending upon the obligations. If comparable leases can be found, then no adjustments would be needed, but each case must be analyzed on an individual basis. Whenever possible, comparable data from the market should be used, not existing leases of Government property.

22. THE BEFORE AND AFTER METHOD.

Whenever part of an entire property, in one ownership and use, is acquired, the owner is entitled to not only the value of the part taken, but to any diminution in value of the remainder caused directly by the taking and/or the use to which the part taken will be put. Just compensation payable should likewise be reduced when the remainder is specially benefitted as a result of the project. This is accomplished by applying the "before and after" rule i.e., just compensation is arrived at by first estimating the market value of the entire parcel before the taking and then subtracting the market value of the remainder parcel. The difference is compensation including both value of the land taken and any diminution of value in the ownership after the taking. The resultant figure automatically includes the value of the part taken together with any severance damages or special benefits. Severance damage, or benefits, should never be assumed merely because there has been a partial taking; they must always be supported by the facts in each case.

23. APPRAISAL REVIEW.

a. High quality appraisal reports and reviews are essential to the success of the NAVFACENGCOM real estate mission. Each contract appraisal report must be reviewed by a qualified Navy review appraiser. That review appraiser must have training, experience, education, and skills equal to the contract appraiser. Professional standards for reviews are set forth in USFLA C-8, and USPAP Standard 3. The review appraiser should actively manage appraisal contracts while work is in progress to lessen the burden on both parties at the final review, and to assure a quality end product. The appraiser and reviewer should schedule a field review at the time highest and best use and principal data have been collected and analyzed. (The contract scope of work, and the contract for appraisal services, should specify and allow for the field review. Scheduling for the time of the field review is the joint responsibility of the reviewer and the contractor.) Appraisal reports must be judged either basically sound and support the appraisal amount, or, fundamentally weak and returned to the appraiser for further work. The reviewer must apply technical knowledge and seasoned judgement to determine whether the valuation methods were properly chosen and executed, and whether the market data is adequate. The reviewer must prepare a narrative analysis and justification approving (depending on his/her amount of delegated review authority) or recommending approval or disapproval of the value(s) provided in the appraisal report. (The Review Certificate is specified in detail in paragraph 24.) Normally, the EFD/EFA reviewer will not forward an acquisition appraisal report to NAVFACENGCOM recommending disapproval, but procure a revision or a second opinion of value.

b. The Senior Staff Appraiser of each EFD/EPA, is authorized to review and recommend approval of real property appraisals. The NAVFACENGCOM Chief Appraiser will delegate specific amounts of approval authority to the Senior Staff Appraiser based on his or her qualifications, training, experience, and ability to perform the review function. This approval authority is specifically delegated to the individual, not to the position of Senior Staff Appraiser. A portion of the approval authority, not to exceed 50 percent, may be redelegated to individual assistant staff appraisers, based on their qualifications and ability to perform the review function. NAVFACENGCOM will review and approve appraisals that exceed the approval authority of the Senior Staff Appraiser. All actions will be documented by a separate review certificate prepared and signed by the reviewing appraiser.

c. In those instances where NAVFACENGCOM review is required, a review certificate with a recommendation will be prepared by the Senior Staff Appraiser and forwarded with a copy of the appraisal report and a copy of the Contract for Appraisal Services including its scope of work. NAVFACENGCOM will review any appraisal when requested by an EFD/EPA. Also from time to time, NAVFACENGCOM will call for typical appraisals and the appraisal reviews within the EFD/EPA dollar level of review authority and audit those appraisals and reviews for qualitative performance. Whenever staff appraisals are prepared by the same individual having review authority, and within the dollar value limits of such authority, no additional review echelon is required unless specified by NAVFACENGCOM. When there is more than one staff appraiser at an EFD/EPA, the senior member will review appraisals performed by subordinate personnel.

#### 24. REVIEW CERTIFICATE.

In reviewing an appraisal and reporting the results of that review, the Staff Appraiser must form an opinion as to the adequacy and appropriateness of the report being reviewed and must clearly disclose the nature of the review process undertaken. Review appraisers must go beyond checking for a level of completeness and consistency in the report under review by providing comment on the content and conclusions of the report. This review action will be documented by a separate certificate which will be signed and dated by the authorized reviewing appraiser. As a minimum, the review certificate must:

- a. Identify the report under review, the real estate interest being appraised, the effective date of the appraisal under review, and the date of review;
- b. Identify the extent of the review process to be conducted;
- c. Form an opinion as to the completeness of the report in regard to the terms of the contract;

- d. Form an opinion as to the completeness of the report under review in light of the requirements of the UASFLA and USPAP;
- e. Form an opinion as to the adequacy and relevance of the data provided and the propriety of any adjustment to the data;
- f. Form an opinion as to the appropriateness of the appraisal methods and techniques used in the report and develop reasoning for any disagreement;
- g. Form an opinion as to whether the analyses, opinions, and conclusions reached in the report are appropriate and reasonable and develop reasoning for any disagreement;
- h. Depending on the level of review authority, either indicate approval of the estimated value provided in the report, or recommend approval or rejection of the report by the next higher level; and,
- i. Provide a signed and dated certification to include, but not be limited to, the statements listed in Appendix 16-C.

25. QUESTIONABLE VALUATION/WIDE SPREAD.

The reviewing appraiser must be satisfied that the appraisal, or appraisals, support the action under consideration. It is recognized that independently produced appraisals may sometimes result in unsupported, or widely divergent, value estimates. Reviewing appraisers are confronted with the task of determining the reasons for the difference of opinion. Any difference of opinion should be resolved in field review meetings with the appraiser(s) as suggested in 23a above. If there was no field review, or upon completion of the analyses the reviewer is not in agreement with an appraiser's estimate of value or method or technique of arriving at such value, or the supporting data upon which it is based, then the appraiser(s) will then be consulted to resolve such differences. If the differences are resolved the report(s) may be supplemented or changed and resubmitted for approval. If the differences cannot be resolved on a highly ethical basis, predicated upon sound reasoning and adequate data properly analyzed and applied, the report(s) will be forwarded to NAVFACENGC00M for review. When such reports are submitted for further review the reviewing appraiser will submit a record of discussions with the appraiser, a narrative review explaining the difference of opinion, and a recommendation whether an additional appraisal should be obtained.

26. SUBMITTAL REQUIREMENTS BY COMMANDER, NAVAL FACILITIES ENGINEERING COMMAND.

When appraisal reports are submitted to NAVFACENGGCOM, they will be accompanied by a copy of the appraisal contract including the contract scope of work, and a review certificate signed by the authorized review appraiser. When an appraisal report is transmitted to NAVFACENGGCOM for review, one copy shall accompany such request. When submitted as part of the planning report on acquisition projects, two copies of the appraisal report(s) will be submitted.

27. UPDATING APPRAISALS/RE-APPRAISALS.

Acquisition Reports submitted to the Armed Services Committees of the Congress include cost estimates which are based upon appraisals submitted as a part of the Planning Report for the project involved. As the cited acreage and costs, as stated in the report submitted to the Committees, set the limit for the acquisition, it is of utmost importance that the appraisals be completed and reviewed prior to testimony. If there is significant delay between the date of valuation and the date of acquisition, appraisals must be updated to reflect current value. Increase in value during the authorization and appropriation phase should be anticipated and included in the contingency allowance on the project. Subsequent reappraisals will not be obtained except:

a. When specific approval has been obtained from NAVFACENGGCOM based upon submission of complete justification therefor; or

b. Upon filing of a Declaration of Taking in condemnation proceedings, an updated appraisal must be procured expeditiously to establish value as of the date of taking.

28. PROHIBITION AGAINST DISCLOSURE OF APPRAISAL INFORMATION.

Appraisal reports for future or on-going real estate projects are generally exempt from disclosure under the Freedom of Information Act. Appraisals are obtained solely for use by the Government and may form the basis of testimony in actions in condemnation. Disclosure by contract appraisers, staff appraisers and/or Government personnel of the values reported and valuation approaches used to estimate such values is prohibited, except by authorized Government personnel. Authorized Government personnel will be considered to be those personnel directly concerned with and responsible for the consummation of a project. The appraiser must be instructed not to divulge valuation or other information contained in his or her report, except to such personnel, unless so ordered by a court of law having appropriate jurisdiction, and only then when the Government attorney acquiesces to that court.

APPENDIX 16-A

CONTRACT FOR APPRAISAL SERVICES, NAVFAC 11011/7 (5-71)

Appendix 16-A  
CH-17

**CONTRACT FOR  
APPRAISAL SERVICES**

AGREEMENT between

Hereinafter called the "Appraiser" and the United States of America, hereinafter called the "Government."

The parties hereto do mutually agree that for the consideration hereinafter specified, the Appraiser will furnish the Appraisal Services indicated herein for the property described below, subject to the terms, conditions, and general provisions set forth on this page and on the reverse side hereof and to the other provisions, if any, incorporated herein by attachment or reference.

**I. LOCATION AND DESCRIPTION OF THE PROPERTY:**

**2. APPRAISAL SERVICES AND PAYMENT:** The appraiser shall, within \_\_\_\_\_ calendar days after the date of execution hereof, furnish a written report (hereinafter referred to as the Report), in quadruplicate, of the fair value, estimated in accordance with recognized appraisal procedures and applicable principles of law, of the individual parcels comprising the real property described above. In consideration of the furnishing of the Report, the Appraiser shall be paid the sum of \$ \_\_\_\_\_ which shall constitute full reimbursement to the Appraiser for his services and for any expenses incurred, including the costs of supplies, material and equipment.

*(NOTE: The following paragraph is not applicable if no amount is inserted.)* The Appraiser agrees that, for an additional sum of \$ \_\_\_\_\_ if requested in writing by the Contracting Officer within two years from the date of execution of this contract, and provided the locus, character of the land, or its highest and best use has not materially changed, he will furnish a written report substantially in accordance with this contract of the fair value of individual tracts comprising the Property, as of date to be determined by the Contracting Officer, but not later than two years after the execution of this contract.

Upon the request of the United States Attorney or the Special Attorney, (Land Division, Department of Justice, the Appraiser agrees to testify as to the value of any and all of the property included in the Report in any judicial proceedings involving a determination of the value of the Property, in consideration of the performance of the undertaking provided for in this paragraph, the Appraiser shall be paid at a rate not in excess of \$ \_\_\_\_\_ per day. Such payment shall constitute full reimbursement to the Appraiser for such services and for any expenses incurred, including travel and subsistence. Payment therefor shall be by the Department of Justice in accordance with its prescribed regulations and procedures.

3. NAVY IDENTIFICATION AND ACCOUNTING DATA							
A. NAME AND ADDRESS OF NAVAL ACTIVITY				B. LOCAL GOVERNMENT REPRESENTATIVE (AFFILIATION AND ADDRESS)			
C. PAYMENT TO BE MADE BY (AFFILIATION AND ADDRESS)						D. PARCEL NO.	E. CONTRACT NO.
							NO(B)
1. APPROPRIATION SYMBOL AND SUBCLASS	2. OBJECT CLASS	3. BUDGET CONTROL OR UNIT	4. AUTH. ACCTG. ACTIVITY	5. TYPE	6. PROPERTY ACCTG. ACTV.	7. COST CODE	8. REPORT

USE TABLE (S-7) APPROPRIATION SYMBOLS AND BUDGET CONTROL UNITS

447

45

#### 4. GENERAL PROVISIONS

d. **APPRAISER'S REPORT:** The Report shall contain, but not be limited to, the following:

(1) A statement of the Appraiser's qualifications.

(2) A certificate executed by the Appraiser substantially in the following form: "I, \_\_\_\_\_, do hereby certify that I have no present and no prospective interest in the Property, that I have personally examined the Property, that my fee for this Appraisal is not contingent upon the amount of the value reported nor upon any other condition excepting the predetermined fee, that to the best of my knowledge and belief the statements and opinions in the Report are correct, subject to the limiting conditions herein set forth, and that the Report has been made in conformity with recognized appraisal procedures and applicable principles of law, and I have been able to form and have formed the opinion that the fair \_\_\_\_\_ value of the Property as of the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, is as set forth in the Report."

(3) A detailed description and itemization of all improvements, such as buildings, and utility systems, indicating the age, condition, dimensions, and the cost of replacement new and the cost of replacement new less depreciation.

(4) Sufficient photographs of the lands and improvements, both interior and exterior, to support the appraisal and aid the reviewer or a jury.

(5) A statement of the highest and best use of each parcel, together with supporting data in the event a determination is made that the highest and best use is other than the present use.

(6) The assessed value of each parcel, together with the present tax rate and the general ratio of assessed value to market value prevailing in the area.

(7) A five year record, as to each parcel, of all sales, options, offers to buy or to sell, and leases; if no sale in the past five years, a report of the last sale.

(8) A full record, plotting, and analysis of comparable sales, options, offers to buy or to sell, and leases, indicating to what parcels applicable. Where practicable, photographs of such comparable property should be included. A full record of vicinage sales, options, offers to buy or to sell, and leases, of possible bearing on fair value, rejected as comparable, and the reasons for such rejection. The latest assessed valuation should be shown on a representative number of comparable sales.

(9) If any parcel was, prior to the taking, a part of a unitary holding, the estimated value of the original holding and the estimated value of the remaining holding shall be reported.

(10) The salvage value of each improvement which is capable of being salvaged and removed by the owner to other premises, together with the basis of such value.

(11) The damage due to the imposition of any easements determined by the before-and-after technique.

k. **PAYMENT:** Payment for the Report shall become due upon completion and delivery of the Report to the Contracting Officer with an invoice, in triplicate, each signed by the Appraiser.

c. **DEFINITIONS:** The word "parcel" as used herein means any areas included in the description set forth herein which are contiguous and in identical ownership. The land will be deemed contiguous even though portions thereof are separated by roads, railroad rights of way, streams, etc. If there has been a severance of the surface and sub-surface of the land, determination of what constitutes a parcel shall be based on ownership of the surface.

d. **INFORMATION CONFIDENTIAL:** All information contained in the Report and all parts thereof are to be treated as strictly confidential. The Appraiser shall take all necessary steps to insure that no member of his staff or organization divulges any information concerning the Report except to a duly authorized representative of the Government.

e. **TERMINATION FOR DEFAULT:** If the Appraiser refuses or fails to perform this contract within the time specified, or any extension thereof, or so fails to make progress as to endanger performance of this contract in accordance with its terms, the Government may, by written notice, terminate the right of the Appraiser to proceed with the contract or with such part or parts thereof as to which there has been default or delay, and may hold the Appraiser liable for any damage caused the Government by reason of such termination. The right of the Appraiser to proceed with the performance of this contract shall not be terminated under this clause if the delay is due to causes beyond the control and without the fault or negligence of the Appraiser, including, without being limited to, any preference, priority, or allocation order issued by the Government or any other act of the Government. Upon termination under this clause, the Government reserves the right to require the Appraiser to turn over to the Government all data, maps, photographs, or other materials acquired for this contract work upon payment of an equitable price therefor.

f. **TERMINATION FOR CONVICTION OF THE GOVERNMENT:** The performance of work under this contract may be terminated, in whole or in part, whenever the Government shall determine that termination is in its best interest, by delivery to the Appraiser of a Notice of Termination at least three days prior to the effective date of termination. The Appraiser agrees to cease all work, to turn over to the Government all data, maps, photographs, and other materials acquired for this contract work, and to submit to the Government a claim for work performed prior to termination. The Government shall pay the Appraiser an equitable price for work performed prior to termination, such price not to exceed a fair proportion of the original contract price.

g. **DISPUTES:** Except as otherwise provided for in this contract, any dispute concerning a question of fact arising under this contract which is not disposed of by agreement shall be decided by the Chief of the Bureau of Yards and Docks, who shall reduce his decision to writing, and mail or otherwise furnish a copy of his decision to the Appraiser. Within 30 days from the date of receipt of such copy, the Appraiser may appeal by mailing or otherwise furnishing to the Chief of the Bureau of Yards and Docks a written appeal addressed to the Secretary of the Navy, and the decision of the Secretary or his representative duly authorized to hear such appeals shall, unless determined by a court of competent jurisdiction to have been fraudulent or capricious or arbitrary or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence, be final and conclusive; provided that, if no such appeal is taken, the decision of the Chief of the Bureau of Yards and Docks shall be final and conclusive. In connection with any appeal proceeding under this clause, the Appraiser shall be afforded an opportunity to be heard and to offer evidence in support of his appeal. Pending final decision of a dispute hereunder, the Appraiser shall proceed diligently with the performance of the contract and in accordance with the Chief of the Bureau of Yards and Docks' decision. The term "Chief of the Bureau of Yards and Docks" as used herein shall include his duly appointed successor or his representative specially designated for this purpose.

A. **COVENANT AGAINST CONTINGENT FEES:** The Appraiser warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Appraiser for the purpose of securing business. For breach or violation of this warranty the Government shall have the right to annul this contract without liability or in its discretion to deduct from the contract price or consideration the full amount of such commission, percentage or contingent fee.

4. **OFFICIALS NOT TO BENEFIT:** No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this contract, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

448 101

4. GENERAL PROVISIONS (Continued)

**GRATUITIES:** (i) The Government may, by written notice to the Appraiser, terminate the right of the Appraiser to proceed under this contract if it is found, after notice and hearing, by the Secretary of the Navy or his duly authorized representative, that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by the Appraiser, or any agent or representative of the Appraiser, to any officer or employee of the Government with a view toward securing a contract or securing favorable treatment with respect to the awarding or amending, or the making of any determinations with respect to the performing of such contract; provided, that the existence of the facts upon which the Secretary or his duly authorized representative makes such findings shall be in issue and may be reviewed in any competent court.

(2) In the event this contract is terminated as provided in paragraph (1) hereof, the Government shall be entitled (i) to pursue the same remedies against the Appraiser as it could pursue in the event of a breach of contract by the Appraiser, and (ii) as a penalty in addition to any other damages to which it may be entitled by law, to exemplary damages in an amount (as determined by the Secretary of the Navy or his duly authorized representative) which shall be not less than three nor more than ten times the costs incurred by the Appraiser in providing any such gratuities to any such officer or employee.

(3) The rights and remedies of the Government provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.

**A. EXAMINATION OF RECORDS:** (1) The Appraiser agrees that the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of three years after final payment under this contract, have access to and the right to examine any directly pertinent books, documents, papers, and records of the Appraiser involving transactions related to this contract.

(2) The Appraiser further agrees to include in all his subcontracts hereunder a provision to the effect that the subcontractor agrees that the Comptroller General of the United

States or any of his duly authorized representatives shall, until the expiration of three years, after final payment under the subcontract, have access to and the right to examine any directly pertinent books, documents, papers and records of such subcontractor involving transactions related to the subcontract. The term "subcontract" as used in this clause excludes (i) purchase orders not exceeding \$1,000 and (ii) subcontracts or purchase orders for public utility services at rates established for uniform applicability to the general public.

**J. NONDISCRIMINATION IN EMPLOYMENT:** (1) In connection with the performance of work under this contract, the Appraiser agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Appraiser agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the Government setting forth the provisions of the Non-discrimination clause.

(2) The Appraiser further agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

**K. NEGOTIATION:** This contract is entered into as a result of negotiation pursuant to the authority of 10 U.S.C. 2304(a)(4) and any necessary determinations and findings, or other supporting statement of justification, prescribed by that Act or by the Armed Services Procurement Regulation have been made.

**N. ADDITIONAL PROVISIONS:** Provisions incorporated by attachment or reference:

5. EXECUTION BY APPRAISER (See Item 5 of Directions)

IF APPRAISER IS A CORPORATION, CERTIFICATION BY SECRETARY OR ASSISTANT SECRETARY:

I certify that the person who signed this agreement on behalf of the Appraiser was then the officer indicated and this agreement was duly signed for and in behalf of said Corporation by authority of its governing body and is within the scope of its corporate powers.

NAME AND TITLE \_\_\_\_\_ SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

6. EXECUTION FOR AND ON BEHALF OF THE GOVERNMENT

THE UNITED STATES OF AMERICA

BY \_\_\_\_\_ (Contracting Officer) \_\_\_\_\_ (Title) \_\_\_\_\_ (Signature)

ANFAC 11011/7 (5-71) (BACK)

449

11/1

DIRECTIONS FOR PREPARATION

**IDENTIFICATION OF APPRAISER:** The appraiser shall be identified by name in the opening paragraph of the contract as follows:

If the Appraiser is an individual, show the full name.

If the Appraiser is a partnership, the names of all members of the partnership must be shown.

If the Appraiser is a private corporation, as

XYZ, a corporation organized and doing  
business under the laws of \_\_\_\_\_

If the Appraiser is a public corporation, the name of the public corporation is to be set forth.

In all cases, the mailing address of the Appraiser will be shown.

**ITEM 1. LOCATION AND DESCRIPTION OF PROPERTY:** Insert a full and complete description suitable for positive identification of the property. Wherever possible a map of the area should be furnished to the Appraiser. If space provided for description is not sufficient, set forth the description in an attachment properly numbered and identified, and list the attachment under paragraph 'n' of the General Provisions.

**ITEM 2. APPRAISAL SERVICES AND PAYMENT:** The number of days within which the Appraisal Report is to be furnished and amount of the payment for the report shall be determined by negotiation. Show the type of appraisal to be made, such as the "fair market value" or "fair rental value." The amount negotiated for reimbursement for testifying in judicial proceedings should be coordinated with the local United States Attorney.

**ITEM 3.** Self explanatory.

**ITEM 4. GENERAL PROVISIONS:** It is anticipated that there will be little or no necessity for making changes in the General Provisions. However, any changes required in specific instances shall be approved and initialed by Counsel for the DPAC. Any additional provisions to be incorporated by attachment or reference in order to form a part of the contract must be listed under paragraph "n" of the General Provisions.

**ITEM 5. EXECUTION BY APPRAISER:** Execution of the Contract on behalf of the Appraiser will be by the party whose name appears in the opening paragraph, except in the case of a corporation or a partnership. Execution for corporations and partnerships will be by the official duly authorized to do so, and will be in the following manner:

XYZ Corporation  
By: \_\_\_\_\_  
Name and Title

XYZ Partnership  
By: \_\_\_\_\_  
Name and Title

In the case of a private corporation the authority of the corporate official to execute the contract will be certified by the Secretary or Assistant Secretary of the Corporation at the place provided in the contract, following the corporate official's signature. The execution by or on behalf of the Appraiser shall be witnessed and the date of execution shown.

**ITEM 6. EXECUTION FOR AND ON BEHALF OF THE GOVERNMENT:** Execution on behalf of the United States is to be by the contracting officer authorized to do act, and is to be witnessed and dated.

APPENDIX 16-B

GENERAL SPECIFICATIONS FOR THE APPRAISAL REPORT

The appraisal report is a document used to support and to justify in part the decisions made by management. The appraiser, in writing it, should be mindful of the fact that it may be subpoenaed into court or become the subject of investigation by a Committee of the Congress. Therefore, it is essential that its contents reveal that the appraiser has made an intelligent and adequate study and analysis of the appraisal problem, has considered all available, pertinent and reliable data, and that he or she has used sound and logical reasoning in developing his valuation conclusions.

FORMAT. The report shall be bound in a durable cover with a typewritten label on the face thereof, identifying the appraised property. The paper used shall be a good grade bond (the heavier the better in order to withstand repeated usage) of size 8-1/2 X 11 inches. All pages shall be numbered consecutively from the beginning of the report to the end, including maps, plans, photographs and exhibits, and each important heading shall be shown in the Table of Contents.

OUTLINE. To provide uniformity, the text shall be divided into three parts: Part I, Part II, and Part III. The report shall contain tabulations or schedules of supporting data, with brief explanation of their connection with the narrative sections of the report. Computative data in support of the approaches to value should be included. The following specified outline may vary, dependent upon the type of property under appraisal. Of necessity, additional data will be required in the case of highly specialized properties. At times certain items may be deleted (as in the case of land valuation only). Generally, however, the following outline contains the minimum information required and the omission of any item shall be justified by narrative.

PART I - INTRODUCTION

1. Title Page
2. Table of Contents
3. Letter of Transmittal
4. Photographs
5. Statement of Limiting Conditions
6. Scope of the Appraisal

PART II - ANALYSIS AND CONCLUSIONS

7. Purpose
8. Date of Value
9. Estate to be Appraised
10. Legal Description
11. City or Area Data
12. Neighborhood Data
13. Property Data
  - a. Site (descriptive), Soil, Topography, etc.
  - b. Improvements (descriptive)
  - c. Equipment (General Description and Inventory)
  - d. Condition (current for each item or group)
  - e. Assessed Value and Annual Tax Load
  - f. Insurance, Coverage, and Annual Premium Costs
  - g. Zoning (for Subject and Comparable Properties)
  - h. History
  - i. Owner Contact
14. Analysis of Highest and Best Use
15. Land Value: Justification therefor
16. Estimate of Value as Indicated by Cost Approach
17. Estimate of Value as Indicated by the Income Approach
18. Estimate of Value as Indicated by the Comparative (or Market) Approach
19. Appraiser's Interpretation of the Estimates (Correlation)
20. Certification

PART III - ADDENDA

21. Location Map (within the city or area)\*
22. Comparative Data Map (showing geographic location of the appraisal property and the comparative parcels analyzed)\*
23. Detail of the Comparative Data (narrative)
24. Plot Plan\*
25. Floor Plans\*
26. Other Pertinent Exhibits
27. Qualifications of Contract Appraiser

\*All maps and plans may be bound as facing pages opposite the description, tabulation, or discussions they concern.

653

DESCRIPTION OF CONTENTS.

PART I - INTRODUCTION

1. Title page. This should include (a) the name and street address of the property; (b) the name of the individual making the report; and, (c) the date.
2. Table of Contents. This should be arranged in accordance with the sequence of topical headings with corresponding page numbers.
3. Letter of Transmittal. The purpose of this letter is to transmit the report. It should be addressed to that individual or officer who requested the service. It should contain (a) name and address of the property appraised; (b) a statement to the effect that a thorough investigation was made, by whom and when; (c) purpose of the appraisal; (d) value estimate; (e) effective date, and (f) appraiser's signature.
4. Photographs. These should immediately follow the letter of transmittal. Photographs may be snapshots, blown up, preferably to size 3" X 5". These should show at least two elevations, plus any unusual features. There should also be views of abutting properties on either side, and the property directly opposite. Except for the overall view, photographs may be bound on pages facing the discussion or description which the photographs concern.
5. Statement of Limiting Conditions. This should include statements of assumptions such as:
  - a. That the title is marketable.
  - b. That no responsibility is assumed by the appraiser for legal matters, especially those affecting title to the property.
  - c. That the legal description furnished him is correct.
  - d. That certain opinions, estimates, or other data furnished him by others (and here properly identified) are correct.
  - e. Any other limiting conditions or assumptions.
6. Scope of the Appraisal. The appraiser shall describe the scope of investigation and analysis that was undertaken in making the appraisal. The appraiser should state the references and data sources relied upon in making the appraisal, and the applicability of all standard approaches to value should be discussed. The exclusion of any approach to value should be explained and justified.

Appendix 16-B  
CH-17

16B-3

453

477

PART II - ANALYSIS AND CONCLUSIONS

7. Purpose. This should detail the purpose for which the appraisal is made, and define each of the values required.
8. Date of Value. The date as of which the value applies.
9. Estate to be Appraised. The right or interest in the property being appraised.
10. Legal Description. This description shall be complete and shall properly identify the property appraised. Legal descriptions may be an exhibit in Part III if so stated here.
11. City and Area Data. The amount of information relative to the social and economic background of the city or area should be included in this section of the report to the extent that it affects the value of the property being appraised.
12. Neighborhood Data. This data (mostly social and economic) should be kept to a minimum and should include only such information as directly affects the property being appraised.
13. Property Data. Under this heading, there should be included a narrative description of the land and all improvements.
  - a. Describe the land, giving dimensions, areas, soil bearing qualities, topography, and any other characteristic that affects value; i.e., mineral deposits, easements, rights of way, permits, etc. If there is indication that mineral deposits have more than a nominal commercial value, this fact should be clearly stated.
  - b. Describe each structure and each utility or outside improvement, stating the sources of the utility. Include, among other things, floor load capacities, ceiling heights and column spacing, elevators, air-conditioning, fire protection, and adequacy of power facilities. State length and gauge of RR trackage, and the number of frogs, switches, turnouts, and bumpers.
  - c. Include a general statement of the type and purpose of the equipment. The inventory may include similar items in groupings; each principal item shall be checked and each grouping spot-checked by the appraiser. State the extent to which the equipment has been cannibalized.
  - d. The current physical condition and relative use and obsolescence shall be stated for each item or group appraised.
  - e. Include the current assessment and dollar amount of real estate taxes. If the property is not taxed, the appraiser shall estimate the assessment in case it is placed upon the tax roll, and state the tax rate.

- f. Insurance. State the total estimated insurance coverage needed and the annual cost of the premium thereon.
  - g. Zoning. Give the zoning for the subject property and an explanation of the allowable uses. If rezoning is feasible, discuss under (12) below.
  - h. History. State the purpose for which the property was designed, dates of original construction and discuss any renovations or alterations; also indicate periods of vacancy. Include all options on and transfers of subject property for a 10 year period.
  - i. Owner Contact. In accordance with Public Law 91-646 the owner must be contacted by the appraiser and afforded the opportunity to meet with the appraiser during the inspection of the property. The appraisal should provide a copy of the letter requesting the right to inspect the property with the property and the actual date of inspection.
14. Analysis of Highest and Best Use. The report shall make an analysis and estimate the highest and best use that can be made of the property (land and improvements) for which there is a current market. The valuation shall be based on this use unless the contract scope of work states otherwise.
15. Land Value: Justification Thereof. The appraiser's opinion of the value of the land shall be supported by factual data (sales and offerings) or comparable, or nearly comparable, lands having like optimum uses. Differences shall be weighed and explained as to how they indicate the value of the land being appraised.
16. Estimate of Value as Indicated by the Cost Approach. The appraiser's estimate of the market value as indicated by the cost approach shall be in the form of computative data arranged in sequence, and shall state sources and justification of prices used as well as each type of depreciation.
17. Estimate of Value as Indicated by the Income Approach. The appraiser's estimate of value as indicated by the income approach shall be arranged in detailed form to show, among other things, the following, and shall include factual data to support each figure and factor used.
- a. Estimated gross income;
  - b. Vacancy and credit losses;
  - c. Operating expenses, itemized under three subheads to show (1) operating costs, (2) reserves for replacement, and (3) fixed charges (taxes, insurance, etc.);

- d. Capitalization of net income shall be at the rate prevailing for this time property and location. The capitalization rate and technique used shall be justified by a narrative explanation supported by a statement of market sources of rates and factors.
18. Estimate of Value as Indicated by the Comparative (or Market) Approach. This shall recite the appraiser's opinion as substantiated by records of sales and offerings of comparable properties. All recent sales should be listed and reflected in this valuation, or their omission explained. Differences shall be weighed and explained in relation to the subject valuation.
19. Interpretation of the Estimates (Correlation). The appraiser shall interpret the foregoing estimates and shall state reasons why one or more of the conclusions reached in Items 14, 15, and 16 are indicative of the market value of the property.
20. Certification. This paragraph concludes the report and shall contain the following statements, followed by the appraiser's signature:
- a. That the appraiser has no interest in the property, present or contemplated;
  - b. That the appraiser's employment and his compensation are not contingent upon the valuation found;
  - c. That he/she personally and thoroughly inspected the property;
  - d. That, according to the best of his/her knowledge, everything contained in the report is true, and that no important facts have been withheld or overlooked;
  - e. That, the appraisal was made and the appraisal report prepared in conformity with the Uniform Appraisal Standards for Federal Land Acquisition, and the Uniform Standards of Professional Appraisal Practice;
  - f. That the appraisal has been made in accordance with the standards of practice or code of ethics of the professional group or association in which he may hold membership;
  - g. That, in his/her opinion, the fair market value (or other value required) is (amount) dollars as of (date).

456  
6/17

APPENDIX 16-C

REVIEW CERTIFICATION STATEMENT (FORMAT)

Certification:

I hereby certify that, to the best of my knowledge and belief:

- The statements of fact reported by this review appraiser and used in the review process are true and correct.
- The analyses, opinions, and conclusions in this review certificate are limited by the assumptions and limiting conditions stated in this review certificate, and are my own personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this review, and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this review certificate.
- My analyses, opinions, and conclusions were prepared in conformity with the Uniform Appraisal Standards For Federal Land Acquisitions and the Uniform Standards of Professional Appraisal Practice.
- I did (or did not) inspect the subject property and/or the comparable sales used in the appraisal report under review.
- No one (or No one other than Mr. John P. Doe, of the EPD/EPA) provided significant assistance to the person signing this review certificate.

Signature Block and Date

Appendix 16-C  
CH-17

16C-1

457

(17)