

Wetlands Appraisal –

What compels us to want to undertake these/similar assignments? – Financial economics (the business we’re in).

It’s either this or the 150,000 SF, 55-tenant, 50% leased shopping center developed and reported in a self-contained appraisal for \$4,500, due in 21 calendar days over Thanksgiving. Appraisal of a specialty property type can provide a 6 to 8 week timeframe at a much higher fee, but there’s also some stress.

This is typically not for beginners, so your potential competitors are lessened (which is what is giving you the higher fee).

An over simplification, but were we really thinking: “5 land comps on a page, a +/- adjustment grid, and barrel through the valuation? Well, maybe.

Where did I run to, once I realized we decided to bid-on and take this assignment?

I relied on many family phrases – since that is one thing I am most familiar with. I also referenced USPAP in search of a framework, or guideline.

- (1) Regulatory
- (2) Personal/Business Decisions

A. Regulatory – Looked at USPAP, and specifically the Competency Rule

The rule states: “An appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary competency to perform the assignment; or (3) decline or withdraw from the assignment.”¹

Being Competent

Competency requires²:

- (1) The ability to properly identify the problem to be addressed; and
- (2) The knowledge and experience to complete the assignment competently; and
- (3) Recognition of, and compliance with, laws and regulations that apply to the appraiser of to the assignment.

a. To include factors such as (but not limited to):	Answer this to yourself
- Identify the problem to be addressed	Yes/ No
- Geographic area	Yes/No
- Intended use	Yes/No
- Specific laws/regulations, or analytical methods	Yes/No

Yes or no to the above. – After answering this, than I focused upon each “no,” to determine where to start on this assignment

¹ *Uniform Standards of Professional Appraisal Practice, 2010-2011 Edition* (Washington D.C.: The Appraisal Foundation, 2010), Pages U-10 thru U-14; and various pages.

² *Uniform Standards of Professional Appraisal Practice, 2010-2011 Edition* (Washington D.C.: The Appraisal Foundation, 2010), Pages U-10 thru U-14; and various pages.

- b. Remember, that within all of this, there will be other, real-life factors going on that are beyond your control.
- This is even more reason to gain competency, because besides getting competent, there are going to be external factors that will challenge you – not for the faint of heart.

Acquiring Competency

USPAP goes on to mention, if an appraiser determines he/she is not competent prior to accepting the assignment, the appraiser must³:

- a. disclose the lack of knowledge and/or experience to the client before accepting the assignment; ANSWER THIS QUESTION: Do we want to do this or not? (NO)
- b. take all steps necessary or appropriate to complete the assignment competently; ANSWER THIS QUESTION: Do we want to do this or not? (GENERALLY YES)
- c. describe, in the report, the lack of knowledge and/or experience and the steps taken to complete the assignment competently; ANSWER THIS QUESTION: Do we want to do this or not? (NO – don't like dirty laundry to be aired; makes the client uneasy, particularly during current economic conditions, where trends and valuations are often "all over the place")

General Approach

For each of the above questions, where "No" was answered (Part I), I planned a course of attack. Didn't spend too much time on the "Yes" answers (again enforcing use of USPAP as a guide).

- a. No = familiar with the specific property type or asset
 - Reviewed AI publication on wetlands appraisal (good source for theory/background, but not so good for judgmental/technical "how-to.")
- b. No = familiar with specific laws, regs, analytical methods
 - i. Called appraisers competent in this property type
 - 1. Use the AI on-line "find an appraiser" and filter for specific property type – contact them
 - 2. Here's where the family phrases enters into the picture. Knowing appraisers in the area that deal with specific property types – my grandfather was from Eastern Europe and used to say, "Tell me who your friends are, and I'll tell you who you are." – very important to network/know people (accept them with all of their faults, you can help each other), and
 - a. Also important: the famous saying in RE appraisal, "you trade on the high seas."

³ *Uniform Standards of Professional Appraisal Practice, 2010-2011 Edition* (Washington D.C.: The Appraisal Foundation, 2010), Pages U-10 thru U-14; and various pages.

3. I did this with significant repetition, asking the appraisers the same questions to arrive at a consensus, sort of like a statistical survey used to reach an answer/or how to handle conclusion.

ii. Conducted a long, long, review of on-line sources on the subject matter

Here is where you really don't want to promise the client a short turn time in order to receive the job – you do yourself and the client a disservice. This can result in less than credible results, and your not attaining the proper competency (which is what you set out to do in the first place)

iii. Conducted many, many market participant interviews – can't be shy here (don't staff this portion of the assignment with somebody else because you're shy on the phone)

“Cool Things I Encountered In This Analysis”

- a. Wetlands sale comps are atypical, in that the majority of salient data is often “not available in the typical “normal course of business.”
- b. There are many federal and local regulations to become familiar with – i.e., Yellow Book is a suggested class if this is the property type you intend to specialize in.
- c. You can never do enough due diligence or interview enough market participants – keep going and write your notes during and after the phone or personal interview.
- d. I found out that one could get massively sued by interested groups/agencies if valuation is found to be negligent, or the appraiser incompetent.
- e. People are generally willing to help. Questions often spark people's curiosity, and they like to participate in solving a puzzle – they'll help you solve the appraisal problem (in this area of the country, anyway).