

**Appendix I**  
**UNIFORM STANDARDS OF PROFESSIONAL**  
**APPRAISAL PRACTICE**

(A copy of the Uniform Standards of Professional Appraisal Practice may be obtained from the Appraisal Standards Board of The Appraisal Foundation, 1029 Vermont Avenue, N.W., Suite 900, Washington, DC 20005.)

**PREAMBLE**

It is essential that a professional appraiser arrive at and communicate his or her analyses, opinions, and advice in a manner that will be meaningful to the client and will not be misleading in the marketplace. These Uniform Standards of Professional Appraisal Practice reflect the current standards of the appraisal profession.

The importance of the role of the appraiser places ethical obligations on those who serve in this capacity. These standards include explanatory comments and begin with an Ethics Provision setting forth the requirements for integrity, objectivity, independent judgment, and ethical conduct. In addition, these standards include a Competency Provision which places an immediate responsibility on the appraiser prior to acceptance of an assignment. The standards contain binding requirements, as well as specific guidelines to which a Departure Provision may apply under certain limited conditions. Definitions applicable to these standards are also included.

These standards deal with the procedures to be followed in performing an appraisal, review or consulting service and the manner in which an appraisal, review or consulting service is communicated. Standards 1 and 2 relate to the development and communication of a real property appraisal. Standard 3 establishes guidelines for reviewing an appraisal and reporting on that review. Standards 4 and 5 address the development and communication of various real estate or real property consulting functions by an appraiser. Standard 6 sets forth criteria for the development and reporting of mass appraisals for ad valorem tax purposes. Standards 7 and 8 establish guidelines for developing and communicating personal property appraisals. Standards 9 and 10 establish guidelines for developing and communicating business appraisals.

These standards are for appraisers and the users of appraisal services. To maintain the highest level of professional practice, appraisers must observe these standards. The users of appraisal services should demand work performed in conformance with these standards.

*Comment:* Explanatory comments are an integral part of the Uniform Standards and should be viewed as extensions of the provisions, definitions, and standards rules. Comments provide interpretation from the Appraisal Standards Board concerning the background or application of certain provisions, definitions, or standards rules. There are no comments for provisions, definitions, and standards rules that are axiomatic or have not yet required further explanation; however, additional comments will be developed and others supplemented or revised as the need arises.

**ETHICS PROVISION**

Because of the fiduciary responsibilities inherent in professional appraisal practice, the appraiser must observe the highest standards of pro-

fessional ethics. This Ethics Provision is divided into four sections: conduct, management, confidentiality, and record keeping.

*Comment:* This provision emphasizes the personal obligations and responsibilities of the individual appraiser. However, it should also be emphasized that groups and organizations engaged in appraisal practice share the same ethical obligations.

### *Conduct*

An appraiser must perform ethically and competently in accordance with these standards and not engage in conduct that is unlawful, unethical, or improper. An appraiser who could reasonably be perceived to act as a disinterested third party in rendering an unbiased appraisal, review, or consulting service must perform assignments with impartiality, objectivity, and independence and without accommodation of personal interests.

*Comment:* An appraiser is required to avoid any action that could be considered misleading or fraudulent. In particular, it is unethical for an appraiser to use or communicate a misleading or fraudulent report or to knowingly permit an employee or other person to communicate a misleading or fraudulent report.

The development of an appraisal, review, or consulting service based on a hypothetical condition is unethical unless: 1) the use of the hypothesis is clearly disclosed; 2) the assumption of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison and would not be misleading; and 3) the report clearly describes the rationale for this assumption, the nature of the hypothetical condition, and its effect on the result of the appraisal, review, or consulting service.

An individual appraiser employed by a group or organization which conducts itself in a manner that does not conform to these standards should take steps that are appropriate under the circumstances to ensure compliance with the standards.

### *Management*

The acceptance of compensation that is contingent upon the reporting of a predetermined value or a direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event is unethical.

The payment of undisclosed fees, commissions, or things of value in connection with the procurement of appraisal, review, or consulting assignments is unethical.

*Comment:* Disclosure of fees, commissions, or things of value connected to the procurement of an assignment should appear in the certification of a written report and in any transmittal letter in which conclusions are stated. In groups or organizations engaged in appraisal practice, intra-company payments to employees for business development are not considered to be unethical. Competency, rather than financial incentives, should be the primary basis for awarding an assignment.

Advertising for or soliciting appraisal assignments in a manner which is false, misleading or exaggerated is unethical.

*Comment:* In groups or organizations engaged in appraisal practice, decisions concerning finder or referral fees, contingent compensation, and advertising may not be the responsibility of an individual appraiser, but for a particular assignment, it is the responsibility of the individual appraiser to ascertain that there has been no breach of ethics, that the appraisal is prepared in accordance with these standards, and that the report can be properly certified as required by Standards Rules 2-3, 3-2, 5-3, 8-3 or 10-3.

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The restriction on contingent compensation in the first paragraph of this section does not apply to consulting assignments where the appraiser is not acting in a disinterested manner and would not reasonably be perceived as performing a service that requires impartiality. This permitted contingent compensation must be properly disclosed in the report.

*Comment:* Assignments where the appraiser is not acting in a disinterested manner are further discussed in the General Comment to Standard 4. The preparer of the written report of such an assignment must certify that the compensation is contingent and must explain the basis for the contingency in the report (See Standards Rule 5-3) and in any transmittal letter in which conclusions are stated.

### *Confidentiality*

An appraiser must protect the confidential nature of the appraiser-client relationship.

*Comment:* An appraiser must not disclose confidential factual data obtained from a client or the results of an assignment prepared for a client to anyone other than: 1) the client and persons specifically authorized by the client; 2) such third parties as may be authorized by due process of law; and 3) a duly authorized professional peer review committee. As a corollary, it is unethical for a member of a duly authorized professional peer review committee to disclose confidential information or factual data presented to the committee.

### *Record Keeping*

An appraiser must prepare written records of appraisal, review, and consulting assignments — including oral testimony and reports — and retain such records for a period of at least five (5) years after preparation or at least two (2) years after final disposition of any judicial proceeding in which testimony was given, whichever period expires last.

*Comment:* Written records of assignments include true copies of written reports, written summaries of oral testimony and reports (or a transcript of testimony), all data and statements required by these standards, and other information as may be required to support the findings and conclusions of the appraiser. The term written records also includes information stored on electronic, magnetic, or other media. Such records must be made available by the appraiser when required by due process of law or by a duly authorized professional peer review committee.

## COMPETENCY PROVISION

Prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently; or alternatively:

1. disclose the lack of knowledge and/or experience to the client before accepting the assignment; and
2. take all steps necessary or appropriate to complete the assignment competently; and
3. describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.

*Comment:* The background and experience of appraisers varies widely and a lack of knowledge or experience can lead to inaccurate or inappropriate appraisal practice. The competency provision requires an appraiser to have both the knowledge and the experience required to perform a specific appraisal service competently. If an appraiser is offered the opportunity to perform an appraisal service but lacks the necessary knowledge or experience to complete it competently, the appraiser must disclose his or her lack of knowledge or experience to the client before accepting the assignment and then take the necessary or appropriate steps to complete the appraisal service competently. This may be accomplished in various ways including, but not limited to, personal study by the appraiser; association with an appraiser reasonably believed to have the necessary knowledge or experience; or retention of others who possess the required knowledge or experience.

Although this provision requires an appraiser to identify the problem and disclose any deficiency in competence prior to accepting an assignment, facts or conditions uncovered during the course of an assignment could cause an appraiser to discover that he or she lacks the required knowledge or experience to complete the assignment competently. At the point of such discovery, the appraiser is obligated to notify the client and comply with items 2 and 3 of the provision.

The concept of competency also extends to appraisers who are requested or required to travel to geographic areas wherein they have no recent appraisal experience. An appraiser preparing an appraisal in an unfamiliar location must spend sufficient time to understand the nuances of the local market and the supply and demand factors relating to the specific property type and the location involved. Such understanding will not be imparted solely from a consideration of specific data such as demographics, costs, sales and rentals. The necessary understanding of local market conditions provides the bridge between a sale and a comparable sale or a rental and a comparable rental. If an appraiser is not in a position to spend the necessary amount of time in a market area to obtain this understanding, affiliation with a qualified local appraiser may be the appropriate response to ensure the development of a competent appraisal.

With regard to mass appraisal as defined herein, an appraiser must immediately take all necessary steps to ensure the mass appraisal is developed under the supervision of an appraiser who has the qualifications referred to in Standard 6.

#### DEPARTURE PROVISION

This provision permits limited exceptions to sections of the Uniform Standards that are classified as specific guidelines rather than binding requirements. The burden of proof is on the appraiser to decide before accepting a limited assignment that the result will not confuse or mislead. The burden of disclosure is also on the appraiser to report any limitations.

An appraiser may enter into an agreement to perform an assignment that calls for something less than, or different from, the work that would otherwise be required by the specific guidelines, provided that prior to entering into such an agreement:

1. the appraiser has determined that the assignment to be performed is not so limited in scope that the resulting appraisal, review, or consulting service would tend to mislead or confuse the client, the users of the report, or the public; and
2. the appraiser has advised the client that the assignment calls for something less than, or different from, the work required by the specific guidelines and that the report will state the limited or differing scope of the appraisal, review, or consulting service.

Exceptions to the following requirements are not permitted: Standards Rules 1-1, 1-5, 2-1, 2-2, 2-3, 2-5, 3-1, 3-2, 4-1, 5-1, 5-3, 6-1, 6-5, 6-6, 7-1, 8-1, 8-3, 9-1, 9-3, 9-5, 10-1, 10-3 and 10-5. This restriction on departure is reiterated throughout the document with the reminder comment: *Departure from this binding requirement is not permitted.*

*Comment:* Before making a decision to enter into an agreement for appraisal services calling for a departure from a specific appraisal guideline, an appraiser must use extreme care

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to determine whether the scope of the appraisal service to be performed is so limited that the resulting analysis, opinion, or conclusion would tend to mislead or confuse the client, the users of the report, or the public. For the purpose of this provision, users of the report might include parties such as lenders, employees of government agencies, limited partners of a client, and a client's attorney and accountant. In this context the purpose of the appraisal and the anticipated or possible use of the report are critical.

If an appraiser enters into an agreement to perform an appraisal service that calls for something less than, or different from, the work that would otherwise be required by the specific appraisal guidelines, Standards Rules 2-2(k), 5-2(i), 8-2(h), and 10-2(h) require that this fact be clearly and accurately set forth in the report.

The requirements of the departure provision may be satisfied by the technique of incorporating by reference.

For example, if an appraiser's complete file was introduced into evidence at a public hearing or public trial and the appraiser subsequently prepared a one-page report that 1) identified the property, 2) stated the value, and 3) stated that the value conclusion could not be properly understood without reference to his or her complete file and directed the reader to the complete file, the requirements of the departure provision would be satisfied if the appraiser's complete file contained, in coherent form, all the data and statements that are required by the Uniform Standards.

Another example would be an update report that expressly incorporated by reference all the background data, market conditions, assumptions, and limiting conditions that were contained in the original report prepared for the same client.

## JURISDICTIONAL EXCEPTION

If any part of these standards is contrary to the law or public policy of any jurisdiction, only that part shall be void and of no force or effect in that jurisdiction.

## SUPPLEMENTAL STANDARDS

These Uniform Standards provide the common basis for all appraisal practice. Supplemental standards applicable to appraisals prepared for specific purposes or property types may be issued by public agencies and certain client groups, e.g. regulatory agencies, eminent domain authorities, asset managers, and financial institutions. Appraisers and clients must ascertain whether any supplemental standards in addition to these Uniform Standards apply to the assignment being considered.

## DEFINITIONS

For the purpose of these standards, the following definitions apply:

**APPRAISAL:** (noun) the act or process of estimating value; an estimate of value. (adjective) of or pertaining to appraising and related functions, e.g. appraisal practice, appraisal services.

**APPRAISAL PRACTICE:** the work or services performed by appraisers, defined by three terms in these standards: appraisal, review, and consulting.

*Comment:* These three terms are intentionally generic, and not mutually exclusive. For example, an estimate of value may be required as part of a review or consulting service. The use of other nomenclature by an appraiser (e.g. analysis, counseling, evaluation, study, submission, valuation) does not exempt an appraiser from adherence to these standards.

**CASH FLOW ANALYSIS:** a study of the anticipated movement of cash into or out of an investment.

**CLIENT:** any party for whom an appraiser performs a service.

**CONSULTING:** the act or process of providing information, analysis of real estate data, and recommendations or conclusions on diversified problems in real estate, other than estimating value.

**FEASIBILITY ANALYSIS:** a study of the cost-benefit relationship of an economic endeavor.

**INVESTMENT ANALYSIS:** a study that reflects the relationship between acquisition price and anticipated future benefits of a real estate investment.

**MARKET ANALYSIS:** a study of real estate market conditions for a specific type of property.

**MARKET VALUE:** Market value is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined. A current economic definition agreed upon by federal financial institutions in the United States of America 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.

Substitution of another currency for *United States dollars* in the fourth condition is appropriate in countries or in reports addressed to clients from other countries.

Persons performing appraisal services that may be subject to litigation are cautioned to seek the exact legal definition of market value in the jurisdiction in which the services are being performed.

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

**MASS APPRAISAL MODEL:** a mathematical expression of how supply and demand factors interact in a market.

**PERSONAL PROPERTY:** identifiable portable and tangible objects which are considered by the general public as being "personal," e.g. furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all property that is not classified as real estate.

**REAL ESTATE:** an identified parcel or tract of land, including improvements, if any.

**REAL PROPERTY:** the interests, benefits, and rights inherent in the ownership of real estate.

*Comment:* In some jurisdictions, the terms *real estate* and *real property* have the same legal meaning. The separate definitions recognize the traditional distinction between the two concepts in appraisal theory.

**REPORT:** any communication, written or oral, of an appraisal, review, or analysis; the document that is transmitted to the client upon completion of an assignment.

*Comment:* Most reports are written and most clients mandate written reports. Oral report guidelines (See Standards Rule 2-4) and restrictions (See Ethics Provision: Record Keeping) are included to cover court testimony and other oral communications of an appraisal, review or consulting service.

**REVIEW:** the act or process of critically studying a report prepared by another.

## STANDARD 1

In developing a real property appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal.

*Comment:* Standard 1 is directed toward the substantive aspects of developing a competent appraisal. The requirements set forth in Standards Rule 1-1, the appraisal guidelines set forth in Standards Rules 1-2, 1-3, 1-4, and the requirements set forth in Standards Rule 1-5 mirror the appraisal process in the order of topics addressed and can be used by appraisers and the users of appraisal services as a convenient checklist.

### *Standards Rule 1-1*

In developing a real property appraisal, an appraiser must:

- (a) be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal;

*Comment:* *Departure from this binding requirement is not permitted.* This rule recognizes that the principle of change continues to affect the manner in which appraisers perform appraisal services. Charges and developments in the real estate field have a substantial impact on the appraisal profession. Important changes in the cost and manner of constructing and marketing commercial, industrial, and residential real estate and changes in the legal framework in which real property rights and interests are created, conveyed, and mortgaged have resulted in corresponding changes in appraisal theory and practice. Social change has also had an effect on appraisal theory and practice. To keep abreast of these changes and developments, the appraisal profession is constantly reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances. For this reason it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers. Each appraiser must continuously improve his or her skills to remain proficient in real property appraisal.

- (b) not commit a substantial error of omission or commission that significantly affects an appraisal;

*Comment:* *Departure from this binding requirement is not permitted.* In performing appraisal services an appraiser must be certain that the gathering of factual information is conducted in a manner that is sufficiently diligent to ensure that the data that would have a material or significant effect on the resulting opinions or conclusions are considered. Further, an appraiser must use sufficient care in analyzing such data to avoid errors that would significantly affect his or her opinions and conclusions.

- (c) not render appraisal services in a careless or negligent manner, such as a series of errors that, considered individually, may not significantly affect the results of an appraisal, but which, when considered in the aggregate, would be misleading.

*Comment: Departure from this binding requirement is not permitted.* Perfection is impossible to attain and competence does not require perfection. However, an appraiser must not render appraisal services in a careless or negligent manner. This rule requires an appraiser to use due diligence and due care. The fact that the carelessness or negligence of an appraiser has not caused an error that significantly affects his or her opinions or conclusions and thereby seriously harms a client or a third party does not excuse such carelessness or negligence.

*Standards Rule 1-2*

In developing a real property appraisal, an appraiser must observe the following specific appraisal guidelines:

- (a) adequately identify the real estate, identify the real property interest, consider the purpose and intended use of the appraisal, consider the extent of the data collection process, identify any special limiting conditions, and identify the effective date of the appraisal;
- (b) define the value being considered; if the value to be estimated is market value, the appraiser must clearly indicate whether the estimate is the most probable price:
- (i) in terms of cash; or
  - (ii) in terms of financial arrangements equivalent to cash; or
  - (iii) in such other terms as may be precisely defined; if an estimate of value is based on submarket financing or financing with unusual conditions or incentives, the terms of such financing must be clearly set forth, their contributions to or negative influence on value must be described and estimated, and the market data supporting the valuation estimate must be described and explained;

*Comment: For certain types of appraisal assignments in which a legal definition of market value has been established and takes precedence, the Jurisdictional Exception may apply to this guideline.*

If the concept of reasonable exposure in the open market is involved, the appraiser should be specific as to the estimate of marketing time linked to the value estimate.

- (c) consider easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances, or other items of a similar nature;
- (d) consider whether an appraised fractional interest, physical segment, or partial holding contributes pro rata to the value of the whole;

*Comment: This guideline does not require an appraiser to value the whole when the subject of the appraisal is a fractional interest, a physical segment, or a partial holding. However, if the value of the whole is not considered, the appraisal must clearly reflect that the value of the property being appraised cannot be used to estimate the value of the whole by mathematical extension.*

- (e) identify and consider the effect on value of any personal property, trade fixtures or intangible items that are not real property but are included in the appraisal.



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*Comment:* This guideline requires the appraiser to recognize the inclusion of items that are not real property in an overall value estimate. Additional expertise in personal property (See Standard 7) or business (See Standard 9) appraisal may be required to allocate the overall value to its various components. Separate valuation of such items is required when they are significant to the overall value.

*Standards Rule 1-3*

In developing a real property appraisal, an appraiser must observe the following specific appraisal guidelines:

- (a) consider the effect on use and value of the following factors: existing land use regulations, reasonably probable modifications of such land use regulations, economic demand, the physical adaptability of the real estate, neighborhood trends, and the highest and best use of the real estate;

*Comment:* This guideline sets forth a list of factors that affect use and value. In considering neighborhood trends, an appraiser must avoid stereotyped or biased assumptions relating to race, age, color, religion, gender, or national origin or an assumption that racial, ethnic, or religious homogeneity is necessary to maximize value in a neighborhood. Further, an appraiser must avoid making an unsupported assumption or premise about neighborhood decline, effective age, and remaining life. In considering highest and best use, an appraiser should develop the concept to the extent that is required for a proper solution of the appraisal problem being considered.

- (b) recognize that land is appraised as though vacant and available for development to its highest and best use and that the appraisal of improvements is based on their actual contribution to the site.

*Comment:* This guideline may be modified to reflect the fact that, in various legal and practical situations, a site may have a contributory value that differs from the value as if vacant.

*Standards Rule 1-4*

In developing a real property appraisal, an appraiser must observe the following specific appraisal guidelines, when applicable:

- (a) value the site by an appropriate appraisal method or technique;
- (b) collect, verify, analyze, and reconcile:
  - (i) such comparable cost data as are available to estimate the cost new of the improvements (if any);
  - (ii) such comparable data as are available to estimate the difference between cost new and the present worth of the improvements (accrued depreciation);
  - (iii) such comparable sales data, adequately identified and described, as are available to indicate a value conclusion;
  - (iv) such comparable rental data as are available to estimate the market rental of the property being appraised;
  - (v) such comparable operating expense data as are available to estimate the operating expenses of the property being appraised;
  - (vi) such comparable data as are available to estimate rates of capitalization and/or rates of discount.

*Comment:* This rule covers the three approaches to value. See Standards Rule 2-2(j) for corresponding reporting requirements.

- (c) base projections of future rent and expenses on reasonably clear and appropriate evidence;

*Comment:* This guideline requires an appraiser, in developing income and expense statements and cash flow projections, to weigh historical information and trends, current market factors affecting such trends, and anticipated events such as competition from developments under construction.

- (d) when estimating the value of a leased fee estate or a leasehold estate, consider and analyze the effect on value, if any, of the terms and conditions of the lease(s);

- (e) consider and analyze the effect on value, if any, of the assemblage of the various estates or component parts of a property and refrain from estimating the value of the whole solely by adding together the individual values of the various estates or component parts;

*Comment:* Although the value of the whole may be equal to the sum of the separate estates or parts, it also may be greater than or less than the sum of such estates or parts. Therefore, the value of the whole must be tested by reference to appropriate market data and supported by an appropriate analysis of such data.

A similar procedure must be followed when the value of the whole has been established and the appraiser seeks to estimate the value of a part. The value of any such part must be tested by reference to appropriate market data and supported by an appropriate analysis of such data.

- (f) consider and analyze the effect on value, if any, of anticipated public or private improvements, located on or off the site, to the extent that market actions reflect such anticipated improvements as of the effective appraisal date;

*Comment:* In condemnation valuation assignments in certain jurisdictions, the Jurisdictional Exception may apply to this guideline.

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

*Comment:* The appraisal may require a complete market analysis (See Standards Rule 4-4).

- (h) appraise proposed improvements only after examining and having available for future examination:

- (i) plans, specifications, or other documentation sufficient to identify the scope and character of the proposed improvements;
- (ii) evidence indicating the probable time of completion of the proposed improvements; and
- (iii) reasonably clear and appropriate evidence supporting development costs, anticipated earnings, occupancy projections, and the anticipated competition at the time of completion.

*Comment:* The evidence required to be examined and maintained under this guideline may include such items as contractor's estimates relating to cost and the time required to complete construction, market, and feasibility studies; operating cost data; and the history of recently completed similar developments. The appraisal may require a complete feasibility analysis (See Standards Rule 4-6).

- (i) All pertinent information in items (a) through (h) above shall be used in the development of an appraisal.

*Comment:* See Standards Rule 2-2(k) for corresponding reporting requirements.

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*Standards Rule 1-5*

In developing a real property appraisal, an appraiser must:

- (a) consider and analyze any current Agreement of Sale, option, or listing of the property being appraised, if such information is available to the appraiser in the normal course of business;
- (b) consider and analyze any prior sales or the property being appraised that occurred within the following time periods:
  - (i) one year for one-to-four family residential property; and
  - (ii) three years for all other property types.

*Comment:* The intent of this requirement is to encourage the research and analysis of prior sales of the subject; the time frames cited are minimums.

- (c) consider and reconcile the quality and quantity of data available and analyzed within the approaches used and the applicability or suitability of the approaches used.

*Comment:* *Departure from this binding requirement is not permitted.* See Standards Rule 2-2(k) Comment for corresponding reporting requirements.

**STANDARD 2**

In reporting the results of a real property appraisal an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.

*Comment:* Standard 2 governs the form and content of the report that communicates the results of an appraisal to a client and third parties.

*Standards Rule 2-1*

Each written or oral real property appraisal report must:

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

*Comment:* *Departure from this binding requirement is not permitted.* Since most reports are used and relied upon by third parties, communications considered adequate by the appraiser's client may not be sufficient. An appraiser must take extreme care to make certain that his or her reports will not be misleading in the marketplace or to the public.

- (b) contain sufficient information to enable the person(s) who receive or rely on the report to understand it properly;

*Comment:* *Departure from this binding requirement is not permitted.* A failure to observe this rule could cause a client or other users of the report to make a serious error even though each analysis, opinion, and conclusion in the report is clearly and accurately stated. To avoid this problem and the dangers it presents to clients and other users of reports, this rule requires an appraiser to include in each report sufficient information to enable the reader to understand it properly. All reports, both written and oral, must clearly and accurately present the analyses, opinions, and conclusions of the appraiser in sufficient depth and detail to address adequately the significance of the specific appraisal problem.

- (c) clearly and accurately disclose any extraordinary assumption or limiting condition that directly affects the appraisal and indicate its impact on value.

*Comment:* *Departure from this binding requirement is not permitted.* Examples of extraordinary assumptions or conditions might include items such as the execution of a pending lease agreement, atypical financing, or completion of onsite or offsite improvements. In a written report the disclosure would be required in conjunction with statements of each opinion or conclusion that is affected.

*Standards Rule 2-2*

Each written real property appraisal report must:

- (a) identify and describe the real estate being appraised;
- (b) identify the real property interest being appraised;

*Comment on (a) and (b):* These two requirements are essential elements in any report. Identifying the real estate can be accomplished by any combination of a legal description, address, map reference, copy of a survey or map, property sketch and/or photographs. A property sketch and photographs also provide some description of the real estate in addition to written comments about the physical attributes of the real estate. Identifying the real property rights being appraised requires a direct statement substantiated as needed by copies or summaries of legal descriptions or other documents setting forth any encumbrances.

- (c) state the purpose of the appraisal;
- (d) define the value to be estimated;
- (e) set forth the effective date of the appraisal and the date of the report;

*Comment on (c), (d) and (e):* These three requirements call for clear disclosure to the reader of a report the "why, what and when" surrounding the appraisal. The purpose of the appraisal is used generically to include both the task involved and rationale for the appraisal. Defining the value to be estimated requires both an appropriately referenced definition and any comments needed to clearly indicate to the reader how the definition is being applied [See Standards Rule 1-2(b)]. The effective date of the appraisal establishes the context for the value estimate, while the date of the report indicates whether the perspective of the appraiser on the market conditions as of the effective date of the appraisal was prospective, current, or retrospective. Reiteration of the date of the report and the effective date of the appraisal at various stages of the report in tandem is important for the clear understanding of the reader whenever market conditions on the date of the report are different from market conditions on the effective date of the appraisal.

- (f) describe the extent of the process of collecting, confirming, and reporting data;

*Comment:* This requirement is designed to protect third parties whose reliance on an appraisal report may be affected by the extent of the appraiser's investigation; i.e., the process of collecting, confirming and reporting data.

- (g) set forth all assumptions and limiting conditions that affect the analyses, opinions, and conclusions;

*Comment:* It is suggested that assumptions and limiting conditions be grouped together in an identified section of the report.

- (h) set forth the information considered, the appraisal procedures followed, and the reasoning that supports the analyses, opinions, and conclusions;

*Comment:* This requirement calls for the appraiser to summarize the data considered and the procedures that were followed. Each item must be addressed in the depth and detail required by its significance to the appraisal. The appraiser must be certain that sufficient information is provided so that the client, the users of the report, and the public will understand it and will not be misled or confused. The substantive content of the report, not its size, determines its compliance with this specific reporting guideline.

- (i) set forth the appraiser's opinion of the highest and best use of the real estate, when such an opinion is necessary and appropriate;

*Comment:* This requirement calls for a written report to contain a statement of the appraiser's opinion as to the highest and best use of the real estate, unless an opinion as to highest and best use is unnecessary, e.g. insurance valuation or value in use appraisals. If an opinion as to highest and best use is required, the reasoning in support of the opinion must also be included.

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- (j) explain and support the exclusion of any of the usual valuation approaches;
- (k) set forth any additional information that may be appropriate to show compliance with, or clearly identify and explain permitted departures from, the requirements of Standard 1;

*Comment:* This requirement calls for a written appraisal report or other written communication concerning the results of an appraisal to contain sufficient information to indicate that the appraiser complied with the requirements of Standard 1, including the requirements governing any permitted departures from the appraisal guidelines. The amount of detail required will vary with the significance of the information to the appraisal.

Information considered and analyzed in compliance with Standards Rule 1-5 is significant information that deserves comment in any report. If such information is unobtainable, comment on the efforts undertaken by the appraiser to obtain the information is required.

- (l) include a signed certification in accordance with Standards Rule 2-3.

*Comment:* Departure from binding requirements (a) through (l) above is not permitted.

*Standards Rule 2-3*

Each written real property appraisal report must contain a certification that is similar in content to the following form:

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

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of this report, and I have no (or the specified) personal interest or bias with respect to the parties involved.
- my compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have (or have not) made a personal inspection of the property that is the subject of this report. (If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)
- no one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)

*Comment:* Departure from this binding requirement is not permitted.

*Standards Rule 2-4*

To the extent that it is both possible and appropriate, each oral real property appraisal report (including expert testimony) must address the substantive matters set forth in Standards Rule 2-2.

*Comment:* In addition to complying with the requirements of Standards Rule 2-1, an appraiser making an oral report must use his or her best efforts to address each of the substantive matters in Standards Rule 2-2.

Testimony of an appraiser concerning his or her analyses, opinions, and conclusions is an oral report in which the appraiser must comply with the requirements of this Standards Rule.

See *Record Keeping* under the ETHICS PROVISION for corresponding requirements.

*Standards Rule 2-5*

An appraiser who signs a real property appraisal report prepared by another, even under the label of "review appraised", must accept full responsibility for the contents of the report.

*Comment:* *Departure from this binding requirement is not permitted.*

This requirement is directed to the employer or supervisor signing the report of an employee or subcontractor. The employer or supervisor signing the report is as responsible as the individual preparing the appraisal for the content and conclusions of the appraisal and the report. Using a conditional label next to the signature of the employer or supervisor or signing a form report on the line over the words "review appraiser" does not exempt that individual from adherence to these standards.

This requirement does not address the responsibilities of a review appraiser, the subject of Standard 3.

## STANDARD 3

In reviewing an appraisal and reporting the results of that review, an 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.

*Comment:* The function of reviewing an appraisal requires the preparation of a separate report or a file memorandum by the appraiser performing the review setting forth the results of the review process. Review appraisers 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. They may or may not have first-hand knowledge of the subject property or data in the report. The COMPETENCY PROVISION applies to the appraiser performing the review as well as the appraiser who prepared the report under review.

Reviewing is a distinctly different function from that addressed in Standards Rule 2-5. To avoid confusion in the marketplace between these two functions, review appraisers should not sign the report under review unless they intend to take the responsibility of a cosigner.

Review appraisers must take appropriate steps to indicate to third parties the precise extent of the review process. A separate report or letter is one method. Another appropriate method is a form or check-list prepared and signed by the appraiser conducting the review and attached to the report under review. It is also possible that a stamped impression on the appraisal report under review, signed or initialed by the reviewing appraiser, may be an appropriate method for separating the review function from the actual signing of the report. To be effective, however, the stamp must briefly indicate the extent of the review process and refer to a file memorandum that clearly outlines the review process conducted.

The review appraiser must exercise extreme care in clearly distinguishing between the review process and the appraisal or consulting processes. Original work by the review appraiser may be governed by STANDARD 1 or STANDARD 4 rather than this standard. A misleading or fraudulent review and/or report violates the ETHICS PROVISION.

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*Standards Rule 3-1*

In reviewing an appraisal, an appraiser must:

- (a) identify the report under review, the real estate and real property interest being appraised, the effective date of the opinion in the report under review, and the date of the review;
- (b) identify the extent of the review process to be conducted;
- (c) form an opinion as to the completeness of the report under review in light of the requirements in these standards;

*Comment:* The review should be conducted in the context of market conditions as of the effective date of the opinion in the report being reviewed.

- (d) form an opinion as to the apparent adequacy and relevance of the data and the propriety of any adjustments to the data;
- (e) form an opinion as to the appropriateness of the appraisal methods and techniques used and develop the reasons for any disagreement;
- (f) form an opinion as to whether the analyses, opinions, and conclusions in the report under review are appropriate and reasonable, and develop the reasons for any disagreement.

*Comment:* Departure from binding requirements (a) through (f) above is not permitted.

An opinion of a different estimate of value from that in the report under review may be expressed, provided the review appraiser:

- 1. satisfies the requirements of STANDARD 1;
- 2. identifies and sets forth any additional data relied upon and the reasoning and basis for the different estimate of value; and,
- 3. clearly identifies and discloses all assumptions and limitations connected with the different estimate of value to avoid confusion in the marketplace.

*Standards Rule 3-2*

In reporting the results of an appraisal review, an appraiser must:

- (a) disclose the nature, extent, and detail of the review process undertaken;
- (b) disclose the information that must be considered in Standards Rule 3-1 (a) and (b);
- (c) set forth the opinions, reasons, and conclusions required in Standards Rule 3-1 (c), (d), (e) and (f);
- (d) include all known pertinent information;
- (e) include a signed certification similar in content to the following:

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

- the facts and data reported by the review appraiser and used in the review process are true and correct.
- the analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions and conclusions.

- I have no (or the specified) present or prospective interest in the property that is the subject of this report and I have no (or the specified) 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 report.
- my analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice. I did not (did) personally inspect the subject property of the report under review.
- no one provided significant professional assistance to the person signing this review report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)

*Comment:* Departure from binding requirements (a) through (e) above is not permitted.

#### STANDARD 4

In performing real estate or real property consulting services, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible result.

*Comment:* Standard 4 is directed toward the same substantive aspects of professional practice set forth in Standard 1, but addresses the performance of consulting services by an appraiser. Consulting is a broad term that is applied to studies of real estate other than estimating value. Land utilization studies; highest and best use analyses; marketability, feasibility, or investment studies; and other research-related studies are examples of consulting assignments. An appraiser must have the ability to develop an analysis/research program that is responsive to the client's objective; to perform primary research; to gather and present secondary and tertiary data; and to prepare a documented written report.

Standard 4 addresses the concept of identifying the client's objective. There is an important difference between performing an impartial consulting service as a disinterested third party that responds to the client's stated objective and performing a consulting service that is intended to facilitate the achievement of the client's objective. While both are legitimate business activities within the realm of professional appraisal practice, the appraiser must recognize the distinction and the consequent obligations.

An appraiser retained to act as a disinterested third party (or reasonably perceived by the public as acting as a disinterested third party) in performing an unbiased consulting service cannot be compensated in a manner that is contingent on the results. However, an appraiser retained to perform a legitimate service such as brokerage, mortgage banking, tax counseling, or zoning advice may be compensated by a fee contingent on the results achieved, but only when a proper disclosure of the role being performed by the appraiser is made.

#### *Standards Rule 4-1*

In performing real estate or real property consulting services, an appraiser must:

- (a) be aware of, understand, and correctly employ those recognized consulting methods and techniques that are necessary to produce credible results;
- (b) not commit a substantial error of omission or commission that significantly affects the results of a consulting service;



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- (c) not render consulting services in a careless or negligent manner, such as a series of errors that, considered individually, may not significantly affect the results, but which, when considered in the aggregate, would be misleading.

*Comment:* Standards Rule 4-1 is identical in scope and purpose to Standards Rule 1-1. *Departure from binding requirements (a), (b), and (c) is not permitted.*

*Standards Rule 4-2*

In performing real estate or real property consulting services, an appraiser must observe the following specific guidelines:

- (a) clearly identify the client's objective;
- (b) define the problem to be considered, define the purpose and intended use of the consulting service, consider the extent of the data collection process, adequately identify the real estate and/or property under consideration (if any), describe any special limiting conditions, and identify the effective date of the consulting service;
- (c) collect, verify, and reconcile such data as may be required to complete the consulting service;
- (i) if the market value of a specific property is pertinent to the consulting assignment, an appraisal in conformance with Standard 1 must be included in the data collection; all pertinent information shall be included;

*Comment:* If an appraisal is pertinent, the appraiser performing the consulting service should carefully review the ETHICS PROVISION and the explanatory comment at the beginning of STANDARD 4 to ensure that any personal interests of the appraiser or contingent compensation for the consulting service do not conflict with the independence required of the appraisal function.

The appraiser performing the consulting service may find it necessary to retain (or suggest that the client retain) another appraiser to perform the appraisal.

- (d) apply the appropriate consulting tools and techniques to the data collected;
- (e) base all projections on reasonably clear and appropriate evidence.

*Comment:* A consulting service must begin with a clear identification of the client's objective, which may not be explicit in the client's statement of the assignment. The appraiser should precisely define the nature of the problem the client faces and the purpose of the consulting service. If the consulting service involves specific real estate or property, the appraiser must obtain a legal description, street address or other means of specifically and adequately identifying the real estate or property.

The appraiser must assess the overall range of work for solving the problem, the methodologies to be used, and the specific research data directly relevant to the consulting service.

*Standards Rule 4-3*

In performing real estate or real property consulting services, an appraiser must observe the following specific guidelines when a conclusion or recommendation is required by the nature of the assignment:

- (a) identify alternative courses of action to achieve the client's objective and analyze their implications;
- (b) identify both known and anticipated constraints to each alternative and measure their probable impact;

- (c) identify the resources actually or expected to be available to each alternative and measure their probable impact;
- (d) identify the optimum course of action to achieve the client's objective.

*Comment:* After proper consideration of all alternative courses of action, the appraiser should identify the optimum course of action in terms of the client's objective and forecast the likelihood it can be achieved. All conclusions must be logically related to the resources available and the constraints that may limit any of the alternatives.

#### *Standards Rule 4-4*

In performing a market analysis, an appraiser must observe the following specific guidelines when applicable:

- (a) define and delineate the market area;
- (b) identify and analyze the current supply and demand conditions that make up the specific real estate market;
- (c) identify, measure, and forecast the effect of anticipated development or other changes and future supply;
- (d) identify, measure, and forecast the effect of anticipated economic or other changes and future demand.

*Comment:* The appraiser should carefully define and delineate the pertinent market area for the analysis. Supportive reasoning for the selection of the boundaries must be stated. The appraiser should identify the specific class(es) of real estate under consideration and analyze the forces that are likely to affect supply/demand relationships.

The appraiser is expected to provide a comprehensive physical and economic description of the existing supply of space for the specific use within the defined market area, an explanation of the competitive position of the subject, and a forecast of how anticipated changes in future supply (additions to or deletions from the inventory) may affect the subject property.

The appraiser is expected to project the quantity and price or rent level of space that will be demanded within the particular sub-market. The capture or penetration rates of competitive projects should be examined in sufficient detail to lead to a reasoned conclusion as to the forecasted price or rent levels at which the market is likely to accept the subject space and the estimated absorption or rent-up time period.

The analysis of economic changes in the market in which the property is located may include the following determinants of demand: population, employment, and income characteristics; interest rates; zoning and other regulations; rents and/or sales; new construction planned or underway; vacant sites as potential competition to the subject; transportation; taxes; and the cost and adequacy of sewer, water, power, and other utilities. Forecasting techniques should be relevant, reasonable, practical, and supportable. Regardless of the forecasting models employed, the appraiser is expected to provide a clear and concise explanation and description of the models and methodologies.

#### *Standards Rule 4-5*

In developing a cash flow and/or investment analysis, an appraiser must observe the following specific guidelines when applicable:

- (a) consider and analyze the quantity and quality of the income stream;
- (b) consider and analyze the history of expenses and reserves;
- (c) consider and analyze financing availability and terms;
- (d) select and support the appropriate method of processing the income stream;

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- (e) consider and analyze the cash flow return(s) and reversion(s) to the specified investment position over a projected time period(s).

*Comment:* Since real estate investment decisions are predicated on financial implications, the consulting service should define the client's investment criteria, consider major variables in the real estate and financial markets, and forecast the anticipated results. Definitions of the financial indices used (such as internal rate of return) and explanations of the financial analysis techniques and computer programs employed should be included. The ETHICS PROVISION and COMPETENCY PROVISION are especially important to Standards Rule 4-5 with regard to hypothetical conditions and technical proficiency.

*Standards Rule 4-6*

In developing a feasibility analysis, an appraiser must observe the following specific guidelines when applicable:

- (a) prepare a complete market analysis;
- (b) apply the results of the market analysis to alternative courses of action to achieve the client's objective;
- (i) consider and analyze the probable costs of each alternative;
- (ii) consider and analyze the probability of altering any constraints to each alternative;
- (iii) consider and analyze the probable outcome of each alternative.

*Comment:* An important step in feasibility analysis is to complete a market analysis.

The appraiser should compare the following criteria from the client's project to the results of the market analysis: the project budget (all construction costs, fees, carrying costs, and ongoing property operating expenses); the time sequence of activities (planning, construction and marketing); the type and cost of financing obtainable; cash flow forecasts over the development and/or holding period; and yield expectations. The appraiser should have enough data to estimate whether the project will develop according to the expectations of the client and is economically feasible in accordance with the client's explicitly defined financial objectives.

**STANDARD 5**

In reporting the results of a real estate or real property consulting service, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.

*Comment:* Standard 5 is identical in intent and purpose to the appraisal reporting requirements in Standard 2. An appraiser must explain logically and convincingly the reasoning that leads to his or her conclusions. The flow of information should be orderly and progressive, leading from the broadest to the most specific level of analysis possible. Those topics most critical to the consulting conclusions should receive the most detailed emphasis.

In many business situations involving consulting services, the role of the appraiser carries with it an implied impartiality. For this reason, an appraiser must exercise extreme caution in undertaking assignments that involve the achievement of the specific goals of a client. A clear and complete disclosure of the role being performed by the appraiser must be part of any written report that results from the acceptance of such an assignment. The disclosure must be stated in any letter of transmittal, statement of assumptions and limiting conditions, and executive summary. In this connection, the appropriate use of the Certification in Standards Rule 5-3 is also required, but it is not sufficient in and of itself. A timely and complete disclosure is required in any oral report.

*Standards Rule 5-1*

Each written or oral consulting report must:

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

- (b) contain sufficient information to enable the person(s) who receive or rely on the report to understand it properly;
- (c) clearly and accurately disclose any extraordinary assumption or limiting condition that directly affects the consulting service and indicate its impact on the final conclusion or recommendation (if any).

*Comment: Departure from binding requirements (a), (b), and (c) is not permitted. A consulting report must be sufficiently comprehensive so the client can visualize the problem and follow the reasoning through each step of the analytical process. It is essential that throughout the report the data, analyses, assumptions and conclusions are logical and adequately supported. Basic analytical and statistical principles, logical reasoning, and sound professional judgment are essential ingredients of the report.*

#### *Standards Rule 5-2*

Each written consulting report must comply with the following specific reporting guidelines:

- (a) define the problem to be considered;
- (b) state the purpose of the consulting service;
- (c) identify and describe the real estate and/or property under consideration (if any);
- (d) set forth the effective date of the consulting service and the date of the report;
- (e) describe the overall range of work and the extent of the data collection process;
- (f) set forth all assumptions and limiting conditions that affect the analyses, opinions, and conclusions;
- (g) set forth the information considered, the consulting procedures followed, and the reasoning that supports the analyses, opinions, and conclusions;
- (h) set forth the appraiser's final conclusions or recommendations (if any);
- (i) set forth any additional information that may be appropriate to show compliance with, or clearly identify and explain permitted departures from, the requirements to Standard 4;
- (j) include a signed certification in accordance with Standards Rule 5-3.

*Comment: The appraiser must set forth all of the assumptions and limiting conditions under which the consulting service is made, and support their validity. Specific assumptions or conditions imposed by the client must be clearly set forth as part of the identification of the objective of the consulting service. The appraiser must investigate the validity of such assumptions or conditions and give reasons for finding them realistic.*

It is improper to omit any of the requirements from a consulting report transmitted to the client without good cause. Any departure from normal procedures and the effect of any unusual factors or conditions in connection with the problem must be explained. A misleading or fraudulent report violates the ETHICS PROVISION as well as this Standard.

#### *Standards Rule 5-3*

Each written consulting report must contain a certification that is similar in content to the following form:

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

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- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property (if any) that is the subject of this report, and I have no (or the specified) personal interest or bias with respect to the parties involved.
- my compensation is not (or is) contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report. (If the compensation is contingent, the basis of such contingency must be disclosed in this certification and in any letter of transmittal and executive summary.)
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have (or have not) made a personal inspection of the property (if any) that is the subject of this report. (If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the property.)
- no one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)

*Comment: Departure from this binding requirement is not permitted.*

*Standards Rule 5-4*

To the extent that it is both possible and appropriate, each oral consulting report (including expert testimony) must address the substantive matters set forth in Standards Rule 5-2.

## STANDARD 6

In developing and reporting a mass appraisal for ad valorem tax purposes, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques, that are necessary to produce and communicate credible appraisals within the context of the property tax laws.

*Comment:* Standard 6 is directed toward the substantive aspects of developing and communicating competent analyses, opinions, and conclusions for ad valorem tax purposes. Two types of appraisals are made for ad valorem tax purposes: individual property appraisals and mass appraisals. Individual property appraisals usually are made when a mass appraisal is being contested. Generally, individual property appraisals should conform to Standard 1 and/or 7. Mass appraisals, which often are developed by teams of people, some of whom may not be appraisers, are the subject of this Standard.

Although appraisal is an important aspect of ad valorem tax administration, other important aspects, including locating and describing property, identifying ownership, determining taxability, making assessments, maintaining cadastral record systems, and satisfying a variety of information needs, result in appraiser-client relationships that are distinctly different from the usual relationships between appraisers and clients.

*Standards Rule 6-1*

In developing a mass appraisal for ad valorem tax purposes, an appraiser must:

- (a) be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal;

*Comment:* S.R. 6-1(a) is identical in scope and purpose to S.R. 1-1(a). Changes in regional economies, development patterns, and property tax legislation have a substantial impact on property assessment.

- (b) not commit a substantial error of omission or commission that significantly affects an appraisal;

*Comment:* S.R. 6-1(b) is identical in scope and purpose to S.R. 1-1(b) when making an individual property appraisal. S.R. 6-1(d) applies in mass appraisal.

- (c) not render an appraisal in a careless or negligent manner;

*Comment:* S.R. 6-1(c) is identical in scope and purpose to S.R. 1-1(c).

- (d) employ those recognized mass appraisal procedures and techniques that are necessary to minimize errors in the data and analyses;

*Comment:* This rule requires appraisers for ad valorem tax purposes engaged in mass appraisal to take reasonable steps to ensure that the quantity and quality of the factual data that are collected are sufficient to produce credible appraisals. The requirements for real and personal property differ.

For real property, systems for routinely collecting and maintaining ownership, geographic, sales, income and expense, cost, and property characteristics data should be established. Geographic data should be contained in a complete set of cadastral maps compiled according to current standards of detail and accuracy. Sales data should be collected, confirmed, screened, adjusted, and filed according to current standards of practice. The sales file should be separate from the property record file and should contain, for each sale, property characteristics data that are contemporaneous with the date of sale. Property characteristics data should be appropriate to the mass appraisal models being used, the requirements of classification and property tax policy, the requirements of other government and private users, and the marginal benefits and costs of collecting and maintaining each particular property characteristic. The property characteristics data file should contain data contemporaneous with the date of appraisal as well as current data. It may contain historical data on sales. The property characteristics data collection system should provide for periodic reinspection of all properties and special inspections of properties for which building permits have been issued. Data collectors should be trained, and they should use data. The data collection program should incorporate checks and audits to ensure that data are recorded correctly and consistently.

For personal property, systems for routinely collecting and maintaining situs and ownership data, market data (e.g., cost, price, sales and income and expense), and property characteristics data should be established. Personal property data collection systems usually rely heavily on reports of tangible property holdings filed by owners and agents, but appraisers should have systems for verifying and auditing those reports and for discovering unreported taxable property.

- (e) employ those recognized techniques for formulating and calibrating mass appraisal models; and

*Comment:* Appraisers for ad valorem tax purposes engaged in mass appraisal must develop mass appraisal models that with reasonable accuracy represent the mathematical relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. Models should be calibrated using generally recognized mass appraisal techniques, including multiple regression analysis and the adaptive estimation procedure, for applying the sales comparison, income, and cost approaches to value. Whenever feasible or appropriate, more than one method should be used in appraising a group of properties.

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Since personal property items generally are more homogeneous than real property parcels, personal property valuation models generally are simpler than real property valuation models.

- (f) employ those recognized mass appraisal testing procedures and techniques that are necessary to ensure that standards of accuracy are maintained.

*Comment:* It is implicit in mass appraisal that, even when well-formulated and well-calibrated mass appraisal models are used, some individual value estimates will not meet standards of reasonableness, consistency, and accuracy. However, appraisers for ad valorem tax purposes engaged in mass appraisal have a professional responsibility to ensure that, on an overall basis, models produce value estimates that meet attainable standards of accuracy. This responsibility requires appraisers to evaluate the performance of models, using, as appropriate, goodness of fit statistics, hold-out samples, analysis of residuals, and assessment-ratio data. They also should review individual value estimates before the decision to use those estimates as the basis for assessment is made.

*Standards Rule 6-2*

In developing a mass appraisal for ad valorem tax purposes, an appraiser must:

- (a) adequately identify the real estate, identify the real property interest under consideration, define the purpose and intended use of the appraisal, consider the scope of the appraisal, describe any special limiting conditions, and identify the effective date of the appraisal;

*Comment:* Analogous considerations to those set forth in S.R. 6-2(a) apply to personal property. S.R. 6-3 and S.R. 6-4(a), 6-4(f), and 6-4(h) do not apply to personal property.

In mass appraisal, fee simple interests in property are assumed and appraisers need only identify the real property interest under consideration explicitly when that assumption is not met.

Similarly, the purpose, intended use, and scope of appraisals are assumed to be for ad valorem taxation, which facts do not need to be explicitly defined unless there is an intent to use an appraisal for ad valorem tax purposes for another function. With respect to special limiting conditions, appraisers for ad valorem tax purposes generally operate under pronounced cost constraints. Politically acceptable expenditure levels for assessment administration are a function of a number of factors, including the value of the property being taxed and the relative reliance of the client governmental bodies on the property tax. As a result, expenditure levels may be considerably lower than the suggested levels in many areas. Sacrifices in data completeness and accuracy, valuation methods, and valuation accuracy are an inevitable consequence of such fiscal constraints. Appraisers should not be held accountable for constraints that are beyond their control.

- (b) define the value being considered;

if the value to be estimated is market value, the appraiser must clearly indicate whether the estimate is the most probable price:

- (i) in terms of cash; or  
 (ii) in terms of financial arrangements equivalent to cash; or  
 (iii) in such other terms as may be precisely defined;

*Comment:* The definition of value for ad valorem tax purposes usually is stated in legislation, regulations, or court decisions and may vary with property use. Appraisers for ad valorem tax purposes must determine whether a stated legal definition differs materially from the general requirements of this rule and govern themselves accordingly. However, in mass appraisal it is not necessary for appraisers to define the value being considered explicitly in writing.

- (c) when applicable and when the information is available to the appraiser in the normal course of business, consider easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances, or other items of a similar nature;
- (d) consider whether an appraised fractional interest, physical segment, or partial holding contributes pro rata to the value of the whole, if applicable;
- (e) identify and consider any personal property, fixtures or intangible items that are not real property but are included in the appraisal.

*Standard Rule 6-3*

In developing a mass appraisal for ad valorem tax purposes, an appraiser must:

- (a) consider the effect on use and value of the following factors: existing land use regulations, reasonably probable modifications of such land use regulations, economic demand, the physical adaptability of the property, neighborhood trends, and the highest and best use of the property,

*Comment:* S.R. 6-3(a) is identical in scope and purpose to S.R. 1-3(a).

- (b) recognize that land is appraised as though vacant and available for development to its highest and best use and that the appraisal of improvements is based on their actual contribution to the site.

*Standards Rule 6-4*

In developing a mass appraisal for ad valorem tax purposes, an appraiser must:

- (a) value the site by an appropriate method or technique;
- (b) collect, verify, analyze, and reconcile:
  - (i) such comparable cost data as are available to estimate the cost new of the improvement (if any);
  - (ii) such comparable data as are available to estimate the difference between cost new and the present worth of the improvements (accrued depreciation);
  - (iii) such comparable sales data, adequately identified and described, as are available to indicate a value conclusion;
  - (iv) such comparable rental data as are available to estimate the market rental of the property being appraised;
  - (v) such comparable operating expense data as are available to estimate the operating expenses of the property being appraised;
  - (vi) such comparable data as are available to estimate rates of capitalization and/or rates of discount.

No pertinent information shall be withheld.

- (c) base projections of future rent and expenses on reasonably clear and appropriate evidence;



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- (d) when estimating the value of a leased fee estate or a leasehold estate, consider and analyze the effect on value, if any, of the terms and conditions of the lease;
- (e) consider and analyze the effect on value, if any, of the assemblage of the various estates or component parts of a property and refrain from estimating the value of the whole solely by adding together the individual values of the various estates or component parts;

*Comment:* This rule should not be construed to invalidate properly formulated mass appraisal models calibrated by use of the cost approach.

- (f) consider and analyze the effect on value, if any, of anticipated public or private improvements, located on or off the site, to the extent that market actions reflect such anticipated improvements as of the effective appraisal date;
- (g) identify and consider the appropriate procedures and market information to perform the appraisal, including all physical, functional, and external market factors as they may affect the appraisal;
- (h) appraise proposed improvements only after examining and having available for future examination:
  - (i) plans, specifications, or other documentation sufficient to identify the scope and character of the proposed improvements;
  - (ii) evidence indicating the probable time of completion of the proposed improvements; and
  - (iii) reasonably clear and appropriate evidence supporting development costs, anticipated earnings, occupancy projections, and the anticipated competition at the time of completion.

*Comment:* Ordinarily proposed improvements are not formally appraised for ad valorem tax purposes. Appraisers, however, are sometimes asked to provide informal estimates of assessed values of proposed improvements so that developers can estimate future property tax burdens. Sometimes condominiums and units in planned unit developments are sold with an interest in unbuilt community property, the pro rata value of which, if any, should be considered in the analysis of sales data.

*Standards Rule 6-5*

In developing a mass appraisal for ad valorem tax purposes, an appraiser must:

- (a) consider and analyze any current agreement of sale, option, or listing of the property being appraised, if such information is available to the appraiser in the normal course of business;
- (b) consider and analyze any prior sales of the property being appraised;
- (c) consider and reconcile the quality and quantity of data available and analyzed within the approaches used, and the adaptability or suitability of the approaches used.

*Standards Rule 6-6*

Mass appraisals for ad valorem tax purposes must be supported by documentation that is reasonably accessible to the public and communicated in ways that are not misleading. Documentation may be in the form of (1) records and files in electromagnetic, micrographic, paper, or other

storage media, (2) reports, (3) manuals, (4) regulations, (5) statutes, or other acceptable forms. The documentation should substantially conform to the factual requirements of Standards Rule 2-2. Appraisals for ad valorem tax purposes should be certified in a manner consistent with law and with generally accepted assessment practices.

*Comment:* For reasons of efficiency, the documentation supporting mass appraisals for ad valorem tax purposes virtually never would be found in a single report. Such matters as the purpose of an appraisal, the date of appraisal, the definition of value, the treatment of divided interests, and the like generally are matters of law and are found in constitutions, statutes, ordinances, regulations, or opinions. The rationale for choosing a particular valuation model and calibration method rarely would be stated in writing, except when specified in regulations or contested in court. The mathematical form of the model should, however, be accessible to qualified interested parties. Property owners and their agents should have access to the property characteristics data on their properties upon request. Value conclusions on all properties should be made accessible to all interested parties.

## STANDARD 7

In developing a personal property appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal.

*Comment:* Standard 7 is directed toward the same substantive aspects set forth in Standard 1, but addresses personal property appraisal.

### *Standards Rule 7-1*

In developing a personal property appraisal, an appraiser must:

- (a) be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal;
- (b) not commit a substantial error of omission or commission that significantly affects an appraisal;
- (c) not render appraisal services in a careless or negligent manner, such as a series of errors that, considered individually, may not significantly affect the results of an appraisal, but which, when considered in the aggregate, would be misleading.

*Comment:* S.R. 7-1 is identical in scope and purpose to S.R. 1-1.

### *Standards Rule 7-2*

In developing a personal property appraisal, an appraiser must observe the following specific appraisal guidelines:

- (a) adequately identify the object(s) to be valued, including the method of identification;
- (b) define the purpose and intended use of the appraisal, including any special limiting conditions;
- (c) identify the effective date of the appraisal, clearly distinguishing the appraisal date from the report date when appropriate;
- (d) define the value to be considered consistent with the purpose of the appraisal;
- (e) value the object(s) by an appropriate appraisal method or technique;
- (f) collect, verify, analyze and reconcile such data as are available, adequately identified and described, to indicate a value conclusion;

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No pertinent information shall be withheld.

*Comment:* These guidelines apply the concepts outlined in S.R. 2-2 to personal property appraisal practice.

*Standards Rule 7-3*

In developing an appraisal of certain types of fine art, when applicable, consider and analyze the effect on value of:

- (a) any relevant damage or imperfections;
- (b) the importance of the object(s) as compared to other items of the same type and classification, or as relating to an artist's total work or as enhancing other parts of a specific collection;
- (c) any historical factors (provenance) which would affect value;
- (d) the market acceptability of the style and scale of the object(s);
- (e) the utility, if any, in today's society as it relates to the originally intended use of the object(s);
- (f) any prior sales of the object(s) being appraised.

*Comment:* This guideline sets forth recognized appraisal methods and techniques for certain types of fine art that are consistent with U.S. Internal Revenue Service requirements.

## STANDARD 8

In reporting the results of a personal property appraisal, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.

*Comment:* Standard 8 is identical in scope and purpose to the appraisal reporting requirements in Standard 2.

*Standards Rule 8-1*

Each written or oral personal property appraisal report must:

- (a) clearly and accurately set forth the appraisal in a manner that will not be misleading;
- (b) contain sufficient information to enable the person(s) who receive or rely on the report to understand it properly;
- (c) clearly and accurately disclose any extraordinary assumption or limiting condition that directly affects the appraisal and indicate its impact on value.

*Standards Rule 8-2*

Each written personal property appraisal report must comply with the following specific reporting guidelines:

- (a) identify and describe the personal property being appraised;
- (b) state the purpose and scope of the appraisal;
- (c) define the value to be estimated;
- (d) set forth the effective date of the appraisal and the date of the report;
- (e) set forth all assumptions and limiting conditions that affect the analyses, opinions, conclusions and valuations;

- (f) where appropriate, set forth the information considered, the appraisal procedures followed, and the reasoning that supports the analyses, opinions, conclusions and valuations;
- (g) when analysis of comparable sales is one of the methods used in the appraisal of personal property for sale purposes, carefully document the sales and analysis;
- (h) set forth any additional information that may be appropriate to show compliance with, or clearly identify and explain permitted departures from, the requirements of Standard 7;
- (i) include a signed certification in accordance with Standards Rule 8-3.

*Standards Rule 8-3*

Each written personal property appraisal report must contain a certification that is similar in content to the following form:

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

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of this report, and I have no (or the specified) 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 report.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have (or have not) made a personal inspection of the personal property that is the subject of this report. (If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)
- no one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)

*Standards Rule 8-4*

To the extent that it is both possible and appropriate, each oral personal property appraisal report (including expert testimony) must address the substantive matters set forth in Standards Rule 8-2.

## ADDITIONAL DEFINITIONS APPLICABLE TO STANDARDS 9 AND 10

**BUSINESS ASSETS:** Tangible and intangible resources other than personal property and real estate that are employed by a business enterprise in its operations.

**BUSINESS ENTERPRISE:** A commercial, industrial or service organization pursuing an economic activity.

**BUSINESS EQUITY:** The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof.

*Comment:* To the extent that several of the definitions cited on Pages I-7 and I-8 of these Standards apply to business appraisal and include a direct reference to real estate, they are modified for the purpose of Standards 9 and 10.

### STANDARD 9

In developing a business appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal.

*Comment:* Standard 9 is directed toward the same substantive aspects set forth in Standard 1, but addresses business appraisal.

#### *Standards Rule 9-1*

In developing a business appraisal, an appraiser must:

- (a) be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal;

*Comment:* S.R. 9-1(a) is identical in scope and purpose to S.R. 1-1(a). Changes and developments in the economy and in investment theory have a substantial impact on the business appraisal profession. Important changes in the financial arena, securities regulation, tax law and major new court decisions may result in corresponding changes in business appraisal theory and practice.

- (b) not commit a substantial error of omission or commission that significantly affects an appraisal;

*Comment:* S.R. 9-1(b) is identical in scope and purpose to S.R. 1-1(b).

- (c) not render appraisal services in a careless or negligent manner, such as a series of errors that, considered individually, may not significantly affect the results of an appraisal, but which, when considered in the aggregate, would be misleading.

*Comment:* S.R. 9-1(c) is identical in scope and purpose to S.R. 1-1(c).

#### *Standards Rule 9-2*

In developing a business appraisal, an appraiser must observe the following specific appraisal guidelines:

- (a) adequately identify the business enterprise, assets, or equity under consideration, define the purpose and the intended use of the appraisal, consider the scope of the appraisal, describe any special limiting conditions, and identify the effective date of the appraisal;
- (b) define the value being considered.

*Comment:* S.R. 9-2(b) is identical in scope and purpose to S.R. 1-2(b).

- (i) if the appraisal concerns a business enterprise or equity interests, consider any buy-sell agreements, investment letter stock restrictions, restrictive corporate charter or partnership agreement clauses, and any similar features or factors that may have an influence on value.
- (ii) if the appraisal concerns assets, the appraiser must consider whether the assets are:
  - (1) appraised independently; or
  - (2) appraised as parts of a going concern.

*Comment:* The value of assets held by a business enterprise may change significantly depending on whether the basis of valuation is acquisition or replacement, continued use in place, or liquidation.

- (iii) if the appraisal concerns equity interests in a business enterprise, consider whether the interests are appraised on a majority or minority basis.

*Comment:* S.R. 9-2(b)(iii) is identical in scope and purpose to S.R. 1-2(d).

#### *Standards Rule 9-3*

In developing a business appraisal relating to a majority interest in a business enterprise, an appraiser must investigate the possibility that the business enterprise may have a higher value in liquidation than for continued operation as a going concern. If liquidation is the indicated basis of valuation, any real estate or personal property to be liquidated must be valued under the appropriate standard.

*Comment:* This rule requires the appraiser to recognize that continued operation of a marginally profitable business is not always the best approach as liquidation may result in a higher value. It should be noted, however, that this should be considered only when the business equity being appraised is in a position to cause liquidation. If liquidation is the appropriate basis of value, then assets such as real estate and personal property must be appraised under Standard 1 and Standard 7, respectively.

#### *Standards Rule 9-4*

In developing a business appraisal, an appraiser must observe the following specific appraisal guidelines when applicable:

- (a) value the business enterprise, assets or equity by an appropriate method or technique.
- (b) collect and analyze relevant data regarding:
  - (i) the nature and history of the business;
  - (ii) financial and economic conditions affecting the business enterprise, its industry, and the general economy;
  - (iii) past results, current operations, and future prospects of the business enterprise;
  - (iv) Past sales of capital stock or partnership interests in the business enterprise being appraised;
  - (v) sales of similar businesses or capital stock of publicly held similar businesses;

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- (vi) prices, terms, and conditions affecting past sales of similar business assets;
- (vii) physical condition, remaining life expectancy, and functional and economic utility or obsolescence.

No pertinent information shall be withheld.

*Comment:* This guideline directs the appraiser to study the prospective and retrospective aspects of the business enterprise and to study it in terms of the economic and industrial environment within which it operates. Further, sales of securities of the business itself or similar businesses for which sufficient information is available should also be considered.

This guideline also requires the appraiser to investigate and take into account not only that loss of value that results from deterioration due to age but also loss of value due to functional and economic obsolescence. Economic obsolescence is a major consideration when assets are considered as parts of a going concern. It is also the criterion in deciding that liquidation is the appropriate basis for valuation.

*Standards Rule 9-5*

In developing a business appraisal, an appraiser must:

- (a) select one or more approaches that apply to the specific appraisal assignments;
- (b) consider and reconcile the quality and quantity of data available for analysis within the approaches that are applicable.

*Comment:* This rule requires the appraiser to use all approaches for which sufficient reliable data are available. However, it does not mean that the appraiser must use all approaches in order to comply with the rule if certain approaches are not applicable.

**STANDARD 10**

In reporting the results of a business appraisal an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.

*Comment:* Standard 10 is identical in scope and purpose to the appraisal reporting requirements in Standard 2.

*Standards Rule 10-1*

Each written or oral business appraisal report must:

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

*Comment:* S.R. 10-1(a) is identical in scope and purpose to S.R. 2-1(a).

- (b) contain sufficient information to enable the person(s) who receive or rely on the report to understand it properly.

*Comment:* S.R. 10-1(b) is identical in scope and purpose to S.R. 2-1(b).

- (c) clearly and accurately disclose any extraordinary assumption or limiting condition that directly affects the appraisal and indicate its impact on value.

*Comment:* This rule requires a clear and accurate disclosure of any extraordinary assumptions or conditions that directly affect an analysis, opinion, or conclusion. Examples of such extraordinary assumptions or conditions might include items such as the execution of a pending lease agreement, atypical financing, infusion of additional working capital or making other capital additions, or compliance with regulatory authority rules.

*Standards Rule 10-2*

Each written business appraisal report must comply with the following specific reporting guidelines:

- (a) identify and describe the business enterprise, assets or equity being appraised.
- (b) state the purpose of the appraisal.
- (c) define the value to be estimated.
- (d) set forth the effective date of the appraisal and the date of the report.

*Comment:* Every business appraisal report must include information sufficient to identify what is being appraised, for what purpose, what type of value is being sought and the date as of which that value applies. If the appraisal concerns equity, it is not enough to identify the entity in which the equity is being appraised but also the nature of the equity, for example: how many shares of common or preferred stock. The purpose may be to express an opinion of value but the intended use of the appraisal must also be stated.

Not only the type of value being sought — fair market value, value in use, etc. — must be stated but it must also be defined clearly. The report date is when the report is submitted; the appraisal date or date of value is the effective date of the value conclusion. This date cannot be later than the report date.

- (e) describe the scope of the appraisal.
- (f) set forth all assumptions and limiting conditions that affect the analyses, opinions, and conclusions.
- (g) set forth the information considered, the appraisal procedures followed, and the reasoning that supports the analyses, opinions and conclusions.
- (h) set forth any additional information that may be appropriate to show compliance with, or clearly identify and explain permitted departures from, the requirements of Standard 9.

*Comment:* S.R. 10-2(e), (f), (g), and (h) are identical in scope and purpose to S.R. 2-2(f), (g), (h), and (i).

- (i) include a certification in accordance with S.R. 10-3.
- (j) include a letter of transmittal signed by the person assuming technical responsibility for the appraisal.

*Comment:* An appraisal report cannot be anonymous. The appraiser or the person assuming technical responsibility for the appraisal must sign the report. The person assuming technical responsibility for the appraisal must be the person under whose direct supervision the appraisal investigation was conducted and who had final responsibility for the conclusions and opinions of value in the appraisal report. Reports issued by a firm may be signed by the person authorized to sign on behalf of the firm, only if the person assuming technical responsibility for the appraisal also signs.

*Standards Rule 10-3*

Each written business appraisal report must contain a certification that is similar in content to the following:

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

- the statements of fact contained in this report are true and correct.



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- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of this report, and I have no (or the specified) 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 report.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- no one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)

*Standards Rule 10-4*

To the extent that it is both possible and appropriate, each oral business appraisal report (including expert testimony) must address the substantive matters set forth in S.R. 10-2.

*Comment:* S.R. 10-4 is identical in scope and purpose to S.R. 2-4.

*Standards Rule 10-5*

An appraiser who signs a business appraisal report prepared by another, even under the label "review appraiser," must accept full responsibility for the contents of this report.

*Comment:* S.R. 10-5 is identical in scope and purpose to S.R. 2-5.

### ORIGIN AND HISTORY OF THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

These standards are based on the original Uniform Standards of Professional Appraisal Practice developed in 1986-87 by the Ad Hoc Committee on Uniform Standards and copyrighted in 1987 by The Appraisal Foundation. Prior to the establishment of the Appraisal Standards Board of The Appraisal Foundation in 1989, the Uniform Standards had been adopted by the Regular Member Organizations of The Appraisal Foundation and were recognized throughout the United States as the generally accepted standards of appraisal practice.

At its organizational meeting on January 30, 1989, the Appraisal Standards Board of The Appraisal Foundation unanimously approved and adopted the original Uniform Standards as the initial appraisal standards promulgated by the Appraisal Standards Board. These standards may be altered, amended, interpreted, supplemented, or repealed by the Appraisal Standards Board after exposure to the appraisal profession, users of appraisal services and the public in accordance with established rules of procedure.

REGULATION AND LICENSING

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Effective Date of Original Uniform Standards:	April 27, 1987
Amendments by the Appraisal Standards Board:	
Ethics Provision	December 4, 1989
Preamble through Standard 2	April 20, 1990
Standards 3, 4 and 5	June 5, 1990