

## **Report on Appraisers from the Property & Income Working Group**

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### **Appraisers and Property Appraisals**

The Property and Income Working group was asked to consider appraisers to determine real property values. Some thought that the only true value of a property is measured by a professional appraisal. In addition, it was suggested to the working group that social service properties have no impact whatsoever on neighboring properties as evidenced by the fact that appraisers do not consider or account for them when making appraisals. To support these claim the group was asked to speak with appraisers and to read the guidelines and appraisal form put out by Fannie Mae and used as the industry standard.

### **Results**

Our studies and conversations with appraisers regarding the appraisal of property values led us to the following conclusions.

1. The guidelines for appraisers established in the Fannie Mae Selling Guide<sup>1</sup> identifies “community facilities” as worthy of consideration when appraising a property
2. The Fannie Mae standard appraisal form includes consideration of social service facilities in their description of the environs of a property being appraising
3. Appraisers and Appraisals do not fit into the definition of acceptable data agreed to by the PILOT/Impact committee
4. Professional Appraisals as such, are not public information and would not be available to our committee. In addition, even if they were, they would not fit into the standards for data that the committee voted on and accepted.

### **Professional Appraisers**

According to the guidelines established by Fannie Mae, appraisers<sup>2</sup> are expected to base appraisals on sound professional judgment. From our conversations with appraisers we learned that the most reliable data for determining property values is sale price of properties similar to, and near, the property being appraised. The determination of similarity is based upon descriptions available to the appraiser and drive by analysis of the properties in question. Since these comparative properties are private, the appraiser does not have access to the interior space.

When sale price information of similar properties cannot be obtained appraisers must rely solely on guidelines available, such as the Fannie Mae guidelines<sup>3</sup> and forms. These guidelines and forms make it clear that the appraisal is based upon the appraiser’s professional judgment and experience.

Fannie Mae states that appraisals are not absolute values but are rather estimates and that it is incumbent upon the appraiser to “provide the lender with an accurate and adequately supported estimate of value and a complete, accurate description of the property.” In addition, Fannie Mae claims that underwriters for mortgages “require

appraisers to provide complete and accurate reports. The estimate of market value must represent the appraiser's professional conclusion, based on market data, logical analysis, and judgment.” They recognize that all they can provide an appraiser is guidance and “minimal acceptable appraisal standards” but that ultimately their guidelines “may not address every appraisal problem; therefore, we allow the appraiser discretion to properly develop the value estimate. The appraiser must, however, provide sound reasoning in his or her appraisal report, for any decisions he or she makes, that are not specifically covered by our standards.”

### **Social Service Facilities**

A detailed analysis of the general requirements for appraisers analyzing properties is given in the Fannie Mae guidelines. This guide includes a section discussing “special consideration” for certain types of housing or environs. Specifically they list the following as worthy of special notice: “mixed-use properties; units in cooperative projects; and properties located in special assessment or community facilities districts”.

The federal government and many local governments, defines “community facilities districts” as districts incorporating educational, health care, religious and not-for-profit institutions<sup>4</sup>. Thus the statement that there is no impact because Fannie Mae does not inquire about social service sites is false.

The information found in the Fannie Mae guidelines for appraisers’ is supported by the Fannie Mae Standard Appraisal Form<sup>5</sup>. As with the process of creating an appraisal, the questions on this form are open to interpretation and judgment. There are several questions that relate to environmental impact of community facilities in the Fannie Mae form:

- Neighborhood boundaries and characteristics
- Factors that affect the marketability of the properties in the neighborhood (proximity to employment and amenities, employment stability, appeal to market, etc.)
- Market conditions in the subject neighborhood (including support for the above conclusions related to the trend of property values, demand/supply, and marketing time such as data on competitive properties for sale in the neighborhood, description of the prevalence of sales and financing concessions, etc.)
- Comments (apparent adverse easements, encroachments, special assessments, slide areas, illegal or legal nonconforming zoning use, etc.)
- Adverse environmental conditions (such as, but not limited to, hazardous wastes, toxic substances, etc.) present in the improvements, on the site, or in the immediate vicinity of the subject property

### **Appraisals**

One purpose for a property appraisal is in securing a mortgage. When a potential or current homeowner has their home appraised, the resulting appraisal is their private document. This information would not be available to us. Since the PILOT/Impact Committee has agreed to only include publicly available information appraisals would not satisfy that criteria even if we could get permission to use them.

In addition, there is no guarantee that an appraisal will be done by or for a government agent and thus again they would not satisfy the criteria of the committee.

## Conclusion

From our research, the Property & Income Working Group concludes that the Fannie Mae guidelines and appraisal form does allow for the interpretation that community facilities should be included in the assessment of a property. Our research also leads us to conclude that such appraisals do not conform to the standards of the committee and should not be included in our study.

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<sup>1</sup> [From the Fannie Mae Selling Guide](http://www.appraisaltoday.com/FNMA_SellingGuide.doc), ([http://www.appraisaltoday.com/FNMA\\_SellingGuide.doc](http://www.appraisaltoday.com/FNMA_SellingGuide.doc)),  
Selling Part VII - Property and Appraisal Analysis

<sup>2</sup> Ibid

<sup>3</sup> Ibid

<sup>4</sup> For example:

- [Community Facilities Zoning Text Proposal – Approved Introduction & Public Review](http://www.nyc.gov/html/dcp/html/cfzp/commfac1.shtml) (<http://www.nyc.gov/html/dcp/html/cfzp/commfac1.shtml>)
- [USDA](http://www.rurdev.usda.gov/rhs/cf/essent_facil.htm) ([http://www.rurdev.usda.gov/rhs/cf/essent\\_facil.htm](http://www.rurdev.usda.gov/rhs/cf/essent_facil.htm))

<sup>5</sup> [Fannie Mae forms](http://www.appraisalservices.com/types.htm), (<http://www.appraisalservices.com/types.htm>)7-Jan-06