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Intersection of Appraisal & Environmental

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Environmental Bankers Association
Winter Conference
Jan. 17, 2017
Appraiser Requirements

Federally-Related Transactions (FRT)
- USPAP
- FIRREA

Client Assignment Conditions
- Scope of Work
Engaging an Appraiser

Non-Exempt FRTs

• Minimum Certified (Gen or Res) or Licensed

• Complex Assignments?
  o Competency is Key
  o AI Designated Appraiser
The purpose of a Guide Note to the Standards of Professional Appraisal Practice is to provide Designated Members, Candidates, Practicing Affiliates and Affiliates with guidance as to how the requirements of the Standards may apply in specific situations.
Guide Note 6

Consideration of Hazardous Substances in the Appraisal Process.

• Parallel to Advisory Opinion 9 in USPAP – “The Appraisal of Real Property That May Be Impacted by Environmental Contamination”

http://ow.ly/QL5O307h76B
Appraisal Guiding Principles

• Competency
• Scope of Work
• Extraordinary Assumptions – Thought to be True
• Hypothetical Conditions – Known to be False
Example of Extraordinary Assumption

• Suspected but not confirmed that there may be underground storage tank contamination.

• An environmental assessment by a qualified environmental professional would be required for such conclusions or determinations.
Example of Hypothetical Condition

• Report that underground storage tank contamination is present at the subject property.

• Intended Use of appraisal – Appraise as if no underground storage tank contamination.
• Assumptions and Hypothetical Conditions
Appraiser Assignment Development Expectations

- Valuation centric
- Competency
  - Observation vs detection and measurement
  - Client notification
- Dependent on third-party expert
Environmental Checklist
For Appraisers

• Client Expectations?
• Competency
• Appraiser Liability
• Additional Fee?
Questions?
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