



HOUSTON PUBLIC WORKS REAL ESTATE SERVICES – ASSET MANAGEMENT APPRAISAL SCOPE OF SERVICES

In preparing appraisals for Houston Public Works, Real Estate Services, appraisers must adhere to the following basic guidelines and requirements set forth within this Scope of Services, the Houston Public Works, Real Estate Services' Land Disposition Appraisal Report Format, and the current edition of the Uniform Standards of Professional Appraisal Practice (USPAP).

Format and Presentation:

1. The appraisal report must be clearly and accurately set forth in a manner that is not misleading. It must contain enough information to enable the Intended User to fully and properly understand the appraisal. It must clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions utilized in the appraisal process.
2. The appraisal report must be prepared utilizing the Houston Public Works, Real Estate Services' Land Disposition Appraisal Report Format.
3. Provide to our office, a PDF version of the appraisal report on CD and four signed, printed single-sided originals of the appraisal report bound by a binder clip or staple. Appraisals should not be assembled with glue, binding combs, or other permanent binding of any kind.

Primary Content:

1. Include a transmittal letter and cover page as set forth in the Houston Public Works, Real Estate Services' Land Disposition Appraisal Report Format.
2. State all extraordinary assumptions and hypothetical conditions and state that their use might have affected the assignment results.
3. Include a clear and accurate description of the "Appraisal Process" including the appraisal methodologies applied (including a description of the Across the Fence Method, if applicable), approaches used, and the reasoning that supports the analyses, opinions and conclusions. Exclusion of any approach to value (Sales Comparison Approach, Cost Approach, or Income Approach) must be clearly explained.
4. Clearly state the Client (i.e., City of Houston), Intended Users (i.e., City of Houston and its representatives), and the Intended Use of the appraisal.
5. Identify the subject property including the physical and economic property characteristics relevant to the assignment.
6. State the Real Property Interest(s) appraised (Fee Simple Estate and/or Easement) for the subject parcel(s). Cite type of Easement(s).
7. Include the approved definition of market value as stated in the Houston Public Works, Real Estate Services' Land Disposition Appraisal Report Format and as defined by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA).
8. Include a clear and conspicuous Scope of Work as required by USPAP.
9. State the Date of Report (= or < 3 days of electronic delivery to HPW), Date of Site Visit, Effective Date of Value (= or < 30 days of Appraisal Assignment) and a Reasonable Exposure Time.
10. Include a Market Area Analysis consistent with the Houston Public Works, Real Estate Services' Land Disposition Appraisal Report Format.

11. State the subject's property use as of the effective date of value. Summarize, but adequately and clearly support the rationale for the highest and best use conclusion.
12. Include a signed and dated Certification of Value.

Subject Property Content:

1. Provide a detailed location description for the Subject Parcel(s). If applicable, provide a detailed location description for the subject property (e.g., Parent Tract, adjacent property). If available, include a physical address.
2. Include the Legal Description of the Subject Sale and Dedication Parcel(s) per the Field Notes (Metes and Bounds) provided. If applicable, include the Legal Description of the Subject (e.g., Parent Tract, adjacent property) from sources deemed reliable and cite sources.
3. Include a detailed description of the Subject Sale and Dedication Parcel(s). Size descriptions must be based upon the provided City drawing(s) or authorized Surveys. If applicable, include the size description of the subject (e.g., Parent Tract, adjacent property) from sources deemed reliable and cite sources. In most instances, Square Footage size descriptions should be used.
4. Provide a clear description of the subject's site data, site access, physical characteristics (topography, soil/subsoil conditions, shape, frontage/depth, etc.), nuisances, zoning/restrictions, utilities availability and capacity, off-site improvements, easements, flood zone, adjacent land uses, and presence of environmental hazards.
5. Provide a Five-year Ownership History of the subject.
6. Provide a history of the subject's Ad Valorem tax assessment, tax rates and property taxes for the three-year period immediately preceding the effective date of the appraisal. Cite whether the assessed value is in line, above or below the concluded market value and what impact, if any, the property taxes may have on the value and its marketability relative to market conditions.
7. Include a detailed description of the subject sale parcel improvements, if applicable. The City requires payment for the depreciated cost of any improvements (concrete pavement, curbs, gutters, etc.) on the property interest(s) being sold. This Depreciated Cost Estimate should not be reflective of the market value of the site improvements; rather it should be an estimation of a cost factor based upon the remaining economic life of the improvements.

Highest and Best Use Content:

The Highest and Best Use – As Vacant, and The Highest and Best Use – As Improved must be reported for the subject Parent Tract and Sale Parcel (if applicable). The Highest and Best Use analysis must be specific and evidenced upon subject market data. In the Highest and Best Use Analysis, four criteria must be considered and reported: Legal Permissibility, Physical Possibility, Financial Feasibility, and Maximum Productivity.

Value Approaches Content: (Exclusion of any approach to value **must** be explained)

Income Approach:

1. Consider and apply the Income Approach, if applicable.
2. Provide and explain market support for the determination of capitalization rates. Include any calculations and the source of any market data used to support the capitalization rate estimate.
3. Provide and explain market support for income and occupancy estimates by comparing the subject to comparable rental properties. Expense estimates should be based upon the recent operating history of the subject and supported by expense comparables and/or expense estimates from real estate or trade journals. Property tax expense should be based upon the most recent tax assessment.

4. Provide reasonable and appropriate evidence from the subject market area to support projections of future rent and/or income potential and expenses.
5. Provide and explain market support for estimating replacement reserves and deferred maintenance.
6. If using a discount cash flow analysis model, provide and explain market support for income, expense, and occupancy projections.
7. Include a “Value Conclusion via the Income Approach” section wherein you state the value conclusion derived via this approach and provide rationale for said value conclusion.

Cost Approach:

1. Consider and apply the Cost Approach, if applicable.
2. Form an opinion of land value using current sales of properties similar to the subject with regard to highest and best use, transactional elements, and property elements.
3. Provide a detailed description of the improvements, calculations for the depreciated cost of the improvements, and sources of the cost estimates (e.g., Marshall Valuation Service, private contractors). Explain depreciation estimates and address the physical, functional, and economic aspects as they apply to the property being appraised. These estimates should be consistent with the design, age, condition, and location of the improvements. If the source of the estimate is a cost manual, provide the name of the publication, section, and page number from which the cost estimate is taken. If the source is a private contractor, provide the company name, name of the person contacted, telephone number, and/or email address.
4. Include a “Value Conclusion via the Cost Approach” section wherein you state the value conclusion derived via this approach and provide rationale for said value conclusion.

Sales Comparison Approach:

1. Consider and apply the Sales Comparison Approach, if applicable.
2. Form an opinion of value using current sales of properties similar to the subject with regard to highest and best use, transactional elements, and property elements.
3. Complete a Comparable Sales Summary Data Sheet for each comparable used. A three-year sales history for each comparable must be analyzed and reported. Any additional information relevant to the comparable must also be included on the Comparable Sales Summary Data Sheet. Confirm all comparable sales used and report data sources, including the source confirmation number, person contacted, contact phone number, and/or email address.
4. Provide a Sales Adjustment Grid as set forth in Houston Public Works, Real Estate Services’ Land Disposition Appraisal Report Format. Provide quantitative adjustments for measurable differences between the subject and comparables. The “per square foot” unit of comparison is preferred.
5. Provide an clear explanation of adjustments, supported by the sale data presented, fully described (with explanation of what, why, how much, and the method used to determine the adjustment amount).
6. Include a “Value Conclusion via the Sales Comparison Approach” section wherein you state the value conclusion derived via this approach and provide rationale for said value conclusion.

Value Reconciliation Content:

1. Include a “Reconciliation of Value” section.
2. Reconcile the approaches and methods used to arrive at the final opinion(s) of value.

3. Clearly state the logic applied in deriving the opinion(s) of value.

Final Value Conclusion:

Include a “Final Value Conclusion” section indicating the Net to the City as a result of the project.

Addenda Content:

1. Photographs of the Subject Property and Sale Parcel(s) – The appraisal report must contain color photographs (minimum sizes of 4” x 6”) of the subject property clearly depicting the front, street scene, improvements included in the transaction, and all other relevant features.
2. Location Map – The appraisal report must contain a clear and readable location map with the subject clearly marked and a north arrow orientation.
3. Field Notes – The appraisal report must contain all field notes (metes and bounds) provided to the appraiser. If none have been provided, some form of a description of the subject must be included and cite source or method used to establish.
4. Drawings – The appraisal report must contain all drawings (surveys) provided to the appraiser. If none have been provided, the appraisal report must contain some form of a valid drawing that describes the subject and its improvements.
5. Aerial Image – The appraisal report must contain an aerial image clearly identifying the subject.
6. Flood Zone Map – The appraisal report must contain a map clearly showing the subject in its FEMA flood zone(s) and a north arrow orientation.
7. Comparable Sales Map – The appraisal report must contain a clear and readable comparable sales map detailing the location of the subject and all sale comparables utilized; and, a north arrow orientation.
8. Comparable Sale Summary Data Sheets – The appraisal report must contain all comparable sales data as required by Houston Public Works, Real Estate Services’ Land Disposition Appraisal Report Format.
9. Appraiser Qualifications and Current Copy of Certification - The appraisal must contain the authorized appraiser’s qualifications and a current copy of his/her TALCB certification. The appraisal report must include names of all individuals who contributed significantly (analytical and research) to the content and preparation of the appraisal report.
10. Other, as required – The appraisal must contain any additional relevant information and any additional information that may be required for the specific assignment.