

ADVISORY OPINION 11

1 ADVISORY OPINION 11 (AO-11)

2 *This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret*
3 *existing standards. Advisory Opinions are issued to illustrate the applicability of appraisal standards in specific*
4 *situations and to offer advice from the ASB for the resolution of appraisal issues and problems.*

5 **SUBJECT: Content of the Appraisal Report Options of Standards Rules 2-2 and 8-2¹**

6 **APPLICATION: Real Property, Personal Property**

7 **THE ISSUE:**

8 **Standards Rules 2-2 and 8-2 of the *Uniform Standards of Professional Appraisal Practice (USPAP)* offer three**
9 **written appraisal report options.** What information should be contained in each type of report?

10 **ADVICE FROM THE ASB ON THE ISSUE:**

11 **Relevant USPAP & Advisory References**

- 12 • Under Standards Rules 2-2 and 8-2, an appraiser may communicate the results of the appraisal in
13 one of three formats: Self-Contained Appraisal Report (Standards Rules 2-2(a) and 8-2(a),
14 Summary Appraisal Report (Standards Rules 2-2(b) and 8-2(b)), or Restricted Use Appraisal
15 Report (Standards Rules 2-2(c) and 8-2(c)). Standards Rules 2-2 and 8-2 require that the report
16 prominently state which option is used.
17 • The Comments to Standards Rules 2-2 and 8-2 state that ***the essential difference among the three***
18 ***options is in the content and level of information provided.***

19 **Prominent Statement of Option Used**

20 The prominent statement of which option was used is a label that indicates to the reader how the appraisal is
21 reported. Therefore, the statement should appear at or near the beginning of the report.

22 In narrative appraisal reports, the prominent statement of which report option is used could appear with the
23 statement of the intended use of the appraisal because the decision on which report option to use is primarily
24 related to the intended use of the appraisal. For added prominence, a statement of the report option used could
25 also appear on any cover page or transmittal letter, if part of the report.

26 In form appraisal reports, the prominent statement of which report option is used could appear in the margin at
27 the top of the front of the form.

28 **Content of the Self-Contained Appraisal Report**

29 **The Self-Contained Appraisal Report should contain all information significant to the solution of the appraisal**
30 **problem. “Describe” is the distinguishing term related to the Self-Contained Appraisal Report.**

31 Standards Rules 2-2(a)(vii) and 8-2(a)(vii) require a description of the scope of work used to develop the
32 appraisal. The intended users of the Self-Contained Appraisal Report should expect to find all significant data
33 reported in comprehensive detail.

¹ See Standards Rules 2-2 and 8-2. See also related Advisory Opinion 12, *Use of the Appraisal Report Options of Standards Rules 2-2 and 8-2.*

34 **Content of the Summary Appraisal Report**

35 As noted in the Comments to Standards Rules 2-2(b) and 8-2(b):

36 *The essential difference between the Self-Contained Appraisal Report and the Summary Appraisal*
37 *Report is the level of detail of presentation.*

38 The Summary Appraisal Report should contain a summary of all information significant to the solution of the
39 appraisal problem. “Summarize” is the distinguishing term related to the Summary Appraisal Report.

40 Standards Rules 2-2(b)(vii) and 8-2(b)(vii) require a summary of the scope of work used to develop the
41 appraisal. The intended users of the Summary Appraisal Report should expect to find all significant data
42 reported in tabular or abbreviated narrative formats.

43 **Content of the Restricted Use Appraisal Report**

44 As noted in the Comment to Standards Rules 2-2(c)(i) and 8-2(c)(i):

45 *The Restricted Use Appraisal Report is for client use only. Before entering into an agreement, the*
46 *appraiser should establish with the client the situations where this type of report is to be used and*
47 *should ensure that the client understands the restricted utility of the Restricted Use Appraisal Report.*

48 The Restricted Use Appraisal Report should contain a brief statement of information significant to the solution
49 of the appraisal problem. “State” is the distinguishing term related to the Restricted Use Appraisal Report.

50 Standards Rules 2-2(c)(vii) and 8-2(c)(vii) requires the report to state the scope of work used to develop the
51 appraisal. The client for a Restricted Use Appraisal Report should not expect to find all significant data
52 reported.

53 The report must reference the existence of specific workfile information in support of the appraiser’s opinions
54 and conclusions. The contents of the workfile must be sufficient for the appraiser to produce a Summary
55 Appraisal Report. The workfile should be available for inspection by the client (or a client’s representative, such
56 as those engaged to complete an appraisal review), state enforcement agencies, and such third parties as may be
57 authorized by due process of law, and a duly authorized professional peer review committee, except when such
58 disclosure to a committee would violate applicable law or regulation.

59 **Differences in the Appraisal Report Options**

60 Each of the appraisal report options has reporting rules that serve as a content outline. The reporting rules for
61 the Self-Contained Appraisal Report are Standards Rules 2-2(a)(i)-(xi) and 8-2(a)(i)-(xi). The reporting rules
62 for the Summary Appraisal Report are Standards Rules 2-2(b)(i)-(xi) and 8-2(b)(i)-(xi). The reporting rules for
63 the Restricted Use Appraisal Report are Standards Rules 2-2(c)(i)-(xi) and 8-2 (c)(i)-(xi).

64 The chart on the following page displays a rule by rule comparison of the reporting rules for the three types of
65 reports. Space does not permit inclusion of the Comment to the reporting rules in the chart. The Comments
66 contain important distinctions that must be considered in the preparation of each type of appraisal report, and
67 the reader of this Advisory Opinion should refer to the full text of Standards Rules 2-2 and 8-2.

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68 **STANDARDS RULES 2-2 AND 8-2 REPORT COMPARISON CHART:** The essential difference among
 69 the three options is in the use and application of the terms “describe,” “summarize,” and “state.” “Describe” is
 70 used to connote a comprehensive level of detail in the presentation of information. “Summarize” is used to
 71 connote a more concise presentation of information. “State” is used to connote the minimal presentation of
 72 information.

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a) Self-Contained Appraisal Report	b) Summary Appraisal Report	c) Restricted Use Appraisal Report
i. state the identity of the client and any intended users, by name or type;	i. state the identity of the client and any intended users, by name or type;	i. state the identity of the client by name or type; and state a prominent use restriction that limits use of the report to the client and warns that the appraiser’s opinions and conclusions set forth in the report may not be understood properly without additional information in the appraiser’s workfile;
ii. state the intended use of the appraisal;	ii. state the intended use of the appraisal;	ii. state the intended use of the appraisal;
iii. describe information sufficient to identify the real estate or personal property involved in the appraisal, including the physical and economic property characteristics relevant to the assignment;	iii. summarize information sufficient to identify the real estate or personal property involved in the appraisal, including the physical and economic property characteristics relevant to the assignment;	iii. state information sufficient to identify the real estate or personal property involved in the appraisal;
iv. state the property interest appraised;	iv. state the property interest appraised;	iv. state the property interest appraised;
v. state the type and definition of value and cite the source of the definition;	v. state the type and definition of value and cite the source of the definition;	v. state the type of value, and cite the source of its definition;
vi. state the effective date of the appraisal and the date of the report;	vi. state the effective date of the appraisal and the date of the report;	vi. state the effective date of the appraisal and the date of the report;
vii. describe the scope of work used to develop the appraisal;	vii. summarize the scope of work used to develop the appraisal;	vii. state the scope of work used to develop the appraisal;
viii. describe the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained;	viii. summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained;	viii. state the appraisal methods and techniques employed, state the value opinion(s) and conclusion(s) reached and reference the workfile; exclusion of the sales comparison approach, cost approach, or income approach must be explained;
ix. state the use of the property existing as of the date of value and the use of the real estate or personal property reflected in the appraisal; and, when an opinion of highest and best use or the appropriate market or market level was developed by the appraiser, describe the support and rationale for that opinion;	ix. state the use of the property existing as of the date of value and the use of the real estate or personal property reflected in the appraisal; and, when an opinion of highest and best use or the appropriate market or market level was developed by the appraiser, summarize the support and rationale for that opinion;	ix. state the use of the property existing as of the date of value and the use of the real estate or personal property reflected in the appraisal; and, when an opinion of highest and best use or the appropriate market or market level was developed by the appraiser, state that opinion;
x. clearly and conspicuously state all extraordinary assumptions and hypothetical conditions; and that their use might have affected the assignment results; and	x. clearly and conspicuously state all extraordinary assumptions and hypothetical conditions; and that their use might have affected the assignment results; and	x. clearly and conspicuously state all extraordinary assumptions and hypothetical conditions; and that their use might have affected the assignment results; and
xi. include a signed certification in accordance with Standards Rule 2-3 or 8-3.	xi. include a signed certification in accordance with Standards Rule 2-3 or 8-3.	xi. include a signed certification in accordance with Standards Rule 2-3 or 8-3.
<u>Comments</u> have not been included in this chart		

115 **Examples of the Application of the Terms “Describe,” “Summarize,” and “State” in the Context of a Real**
 116 **Property Appraisal Report**

117 The following presentations of the zoning section of a commercial appraisal report are used to exemplify the
 118 content differences in the three appraisal report options. These examples show a relative illustration of depth
 119 and detail of presentation and are not intended to characterize the format for an entire appraisal report. The
 120 examples are not intended to imply that information on zoning is necessary in all appraisal reports.

121 **EXAMPLE OF “DESCRIBE”**

122 **Zoning**

123 The General Business B-4 zoning classification applies to the subject real estate. The purpose of the B-4 zone is
 124 to encourage local commercial development along arterial streets to serve the surrounding residential areas. The
 125 uses of B-4 zoning and yard and bulk regulations to the B-4 zone are described below.

126 **Principal Permitted Uses**

127 Banking facilities, houses of worship, public buildings and facilities, service establishments, sit-down
 128 restaurants serving patrons on the premises, and stores for the sale of goods at retail.

129 **Special Permit Uses**

130 Business and professional offices, manufacturing of goods sold on the premises, medical clinics, multifamily
 131 dwellings (sites in excess of 15,000 sq. ft.), and take-out restaurants (sites in excess of 25,000 sq. ft.).

132 **Yard and Bulk Regulations**

133	Minimum Requirements	Lot Area:	10,000 sq. ft.
134		Lot Width:	100 feet
135		Front Yard:	20 feet
136		Side Yards:	10 feet (each)
137		Rear Yard:	10 feet
138		Off-Street Parking (Stores):	4 spaces per 1,000 sq. ft. of sales area
139	Maximum Requirements	Building Coverage:	50% of lot area
140		Building Height:	2 stories or 20 feet

141 **Conclusion**

142 On the basis of a review of the zoning regulations and a discussion with John N. Forcer of the Anytown
 143 planning and zoning office, the existing use and subject improvements are in conformance with zoning.

144 **EXAMPLE OF “SUMMARIZE”**

145 **Zoning**

146 The General Business B-4 zoning classification applies. Its purpose is to encourage local commercial
 147 development of banking facilities, retail stores, and service establishments along arterial streets on minimum
 148 lots of 10,000 sq. ft. with a width of 100 feet. Building coverage is limited to 50% of the lot, and building height
 149 is limited to two stories or 20 feet. John N. Forcer of the Anytown planning and zoning office indicates that the
 150 existing use and subject improvements conform.

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151 **EXAMPLE OF “STATE”**

152 **Zoning**

153 General Business, B-4; existing use and subject improvements conform.

154 The purpose of the above examples is to show one view of the differences among the application of the terms
155 “describe,” “summarize,” and “state.” The examples should not be extended beyond this Advisory Opinion to
156 every section of an appraisal report.

157 **Varying Depth and Detail Within the Report Option Selected**

158 Standard Rules 2-2(a)(viii) and 8-2(a)(viii) and 2-2(b)(viii) and 8-2(b)(viii) use the words “describe” and
159 “summarize,” respectively, as the distinguishing verb, but they contain the identical Comment that each item
160 must be addressed in the depth and detail required by its significance to the appraisal. The overall depth and
161 detail of information presented to satisfy each Standards Rule, not the length of any specific item, determine the
162 proper application of the report option utilized.

163 This Advisory Opinion focuses on the content of the appraisal report options and should be read in conjunction
164 with Advisory Opinion 12, which focuses on the use of the appraisal report options of STANDARD 2 and
165 STANDARD 8.