

## **Tab 7 Appraisals**

For all situations listed below, an “As-is” appraisal is required. Please refer to the “As-Is” Appraisal Requirements for appraisal methodology.

- An “As-Is” Appraisal will be required on all properties in which there is any identity of interest between the seller and purchaser of the property(s) to be included in the development.
- An “As-Is” Appraisal will be required in instances where the transfer of title (**third party or related entity**) occurs within a one-year period prior to closing. The recognized value of land will be the lower of the purchase price or the as-is appraised value. Under no circumstances will the Agency recognize more than the as-is appraised value.
- An “As-Is” Appraisal will be required if the proposed development is to be located on a subdivided parcel from a larger piece of property. A value for each subdivided parcel of the whole property must be provided.
- An “As-Is” Appraisal will be required for all proposals in which the Applicant is requesting Acquisition Tax Credits. The appraisal must assign a separate value for both the building and the land.

For all proposals not addressed above, an “As-Is” Appraisal may be required if the acquisition costs included in the total development cost do not appear to be reasonable.

In situations where the acquisition price exceeds the appraised value, the percentage of acquisition costs attributed to land on the development budget should be the same percentage noted in the appraisal.

If there is a long-term lease in which an up-front lease value is assigned and included in the total development cost, the value must be supported by an independent appraisal by a qualified appraiser. The property rights to be appraised are the market value of the leasehold estate.

Appraisals should be dated within 12 months of date of Application.

**“AS-IS” APPRAISAL REQUIREMENTS - NEW CONSTRUCTION**

IN MAKING THE APPRAISAL, PLEASE EMPLOY THE FOLLOWING METHODOLOGY:

1. The appraisal should include a personal inspection of the site, a review of current market data in the area, a consideration of income and expense and other data normally considered by a real estate appraiser.
2. For the subject property, provide an “As-Is” market value and establish the highest and best use.

Market Value should be defined as:

“The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.”<sup>1</sup>

3. If applicable, estimate the contribution to value of all necessary off-site improvements (e.g., water, sewer, etc.) to the “As-Is” market value. The estimated dollar contribution for the off-site improvements should be based on the value they add to the site after their installation and not on cost.
4. Provide an estimate of land value incorporating data compiled in Numbers 1 and 2. Do not consider the unique aspects of PHFA financing or the Low Income Housing Tax Credits in the estimate of value.
5. Attach photos of each comparable and the subject property, as well as a map identifying the comparables.
6. The appraisal report must be a complete self-contained report and prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) subject to approval by PHFA.
7. An estimate of real estate taxes based on the full assessment after the project is completed should be provided. The estimate should include any applicable tax abatement program which will be utilized.

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<sup>1</sup> Appraisal Institute, The Dictionary of Real Estate Appraisal.

**“AS-IS” APPRAISAL REQUIREMENTS - REHABILITATION**

IN MAKING THE APPRAISAL, PLEASE EMPLOY THE FOLLOWING METHODOLOGY:

1. The appraisal should include a personal inspection of the land and building, a review of a current market data in the area, a consideration of income and expense and other data normally considered by a real estate appraiser.
2. For the subject property, provide an “As-Is” market value and establish the highest and best use. The appraisal must assign a separate value for both the building and land.

Market Value should be defined as:

“The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.”<sup>1</sup>

3. If applicable, estimate the contribution to value of all necessary off-site improvements (e.g., water, sewer, etc.) to the “As-Is” market value. The estimated dollar contribution for the off-site improvements should be based on the value they add to the site after their installation and not on cost.
4. Provide an estimate of land value incorporating data compiled in Numbers 1, 2 and 3. Do not consider the unique aspects of PHFA financing or the Tax Credits in the estimate of value.
5. Provide a total “As-Is” property value incorporating data compiled in Numbers 1, 2, 3 and 4. Do not consider the unique aspects of PHFA financing or the Low Income Housing Tax Credits in the estimate of value.
6. Attach photos of each comparable and the subject property, as well as a map identifying the comparables.
7. The appraisal report must be a complete self-contained report and be prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) subject to approval by PHFA.
8. An estimate of real estate taxes based on the full assessment after the project is completed should be provided. The estimate should include any applicable tax abatement program that will be utilized.

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<sup>1</sup> Appraisal Institute, The Dictionary of Real Estate Appraisal.