



Who Determines When a Report Revision is Required?

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Brian's Answer:

We should all strive to make our review and appraisal reports perfect, but we are also human, which by non-first-person accounts precludes that potential.

But who determines when a revision is required?

Let's expose the elephant in the room first, then move on to the nitty-gritty. The DOTs, FHWA and most other agencies understand that there will be errors; USPAP and Yellow Book account for it. So, if the client requests that the reviewer and/or the appraiser make a revision that is clearly immaterial to the credibility of the work, there is a business decision, not a required appraisal decision, to make.

Ultimately, the (fallible) review appraiser makes the determination based upon the scope of work. Early in my review career, I did work under the purview of the Washington State DOT (WSDOT) right of way manual. That manual acknowledges that not all reports will be perfect and sets a loose framework for when a revision is expected and when it should simply be noted. The clever author of that manual cleaved the word "deficiency" into major and minor deficiencies — behold the power of simple adjectives! My other favorite example of that is the placement of "alternative" in front of "medicine."

Cambridge dictionary defines deficiency as "the lack of something that is needed in order to meet a particular standard or level of quality, or the thing that is lacking." Major deficiencies are relatively straightforward; these are errors and/or omissions that are deleterious to the credibility of the work. WSDOT characterizes major deficiencies as "...usually found in the following areas: analysis, reasoning, and conclusions. When the Review Appraiser finds that the appraisal report needs clarification or contains substantive errors... actions are taken." These are significant mathematical errors, omissions of sufficient support/evidence/justification, and errors in highest and best use, larger parcel and/or technical interpretations (e.g., zoning, title, etc.). These are the kinds of deficiencies that will get your report thrown out of a case months before a trial or leave your intended users scratching their heads. These must be addressed in a revision, lest we have a review major deficiency. These are typically

acknowledged by all parties as necessary to be revised. All appraisers, with any meaningful amount of experience in the right of way world, have made these kinds of mistakes.

Minor deficiencies are essentially everything else in the report that is not perfect, nor a major deficiency. These are immaterial omissions or errors that if not corrected, would not change the analyses or conclusions of the report or create a misleading report nor impact the credibility of a report. USPAP does note that an excessive number of minor deficiencies can create a major deficiency.

The text "Appraising the Appraisal, the Art of the Appraisal Review"¹ states, "(a)n appraisal that contains a reasonable value conclusion should not be rejected because of nit-picking by an overzealous or inexperienced reviewer. A report can be acceptable even if it has some typos and minor errors... Don't overreact if the report contains minor typos, inconsistent wording, rounding errors², or inconsequential mathematical mistakes. Do not frustrate the appraiser with unreasonable demands to meet your standard of perfection. Perfection is a worthy goal, but it is often unrealistic and unattainable in the real world."

Here are a couple other examples of reviewers' qualitative analyses of reports:

Satisfactory: Acceptable level of detail, discussion, and analysis, reasonable key value assumptions, and a reasonable value conclusion. May contain minor review issues that do not impact the rationale or value conclusion. Acceptable level of credibility. (4th highest of 5 levels); **Quality Rating B:** Good. Only minor problems, consistent assumptions, well supported and reasoned, strong defensible conclusion.

The perfect report has not been written, as far as I have seen. That does not mean we do not continue to strive to do so or that sloppy work is permissible. As experienced professionals, review appraisers have broad latitude, often tempered by client expectations, to either note deficiencies or request revisions. As experienced appraisal report writers, we should understand that project reviewers and clients are working with them to expedite good quality work for the benefit of the project.

¹ Sorenson MAI, "Appraising the Appraisal, the Art of the Appraisal Review, 2nd ed.," p. 166.

² Rounding errors are not only ubiquitous in appraisal practice, but they are also often prescribed by clients. See the July/August 2018 Right of Way Magazine for David's and my article on proper rounding, "The Value Conclusion."





David's Answer:

Who determines when a revision is required?

Brian!

On an entirely different note, we wrote in the last issue, matter-of-factly, that temporary easements are based on the “after value” unit rate (my fault). Between our article submission and its publication, we attended the IRWA Education Conference 2023 and spoke with many other appraisers on the issue and found that this issue is not settled; about half of the appraisers use the before value, albeit many because it is the custom in their area and not necessary because they think that it is the correct method.

Furthermore, there are some pretty clear indications that there are times where either before or after unit rates are called for depending on circumstances. We will be revisiting the debate in a later article with the intension of providing case law and/or market evidence in support of one or the other positions.

If you wish to provide any case law, right of way manual directives, market data, etc. in support of either side of this debate, please do so at Ask@NRWRA.com.

Thanks! ✪

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Brian has been exclusively involved in right of way appraisal and review for 27 years. He is a resident of Boise, Idaho, and in his free time, enjoys skiing, biking, golfing, shooting and auto racing.

David has been involved in right of way appraisal and review for 38 years. He is a resident of southeast Michigan, a CLIMB and PEAK Certified Instructor for IRWA and an AQB Certified USPAP Instructor. He has no free time.

Together, they are the authors behind *Ask an Appraisal Reviewer*.



Have a burning question about appraisal review or appraisal? Ask an Appraisal Reviewer is open for questions or topics to tackle! Reach out to ask@NRWRA.com to submit your question today.