

**CITY OF HOUSTON DEPARTMENT OF PUBLIC WORKS AND ENGINEERING  
REAL ESTATE BRANCH – SALES  
SCOPE OF SERVICES**

In preparing appraisals for the City of Houston Department of Public Works and Engineering Real Estate Branch, appraisers will adhere to the following basic guidelines and requirements set forth within this scope, the City of Houston Real Estate Branch's Appraisal Format, and the current edition of the Uniform Standards of Professional Appraisal Practice (U.S.P.A.P.).

**Form and Presentation:**

1. The appraisal must be clearly and accurately set forth in a manner that is not misleading. The appraisal must contain enough information to enable the City of Houston to properly understand the appraisal. The appraisal must clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions utilized in the appraisal process.
2. The appraisal must be reported in the form of a "Self-Contained" or "Summary" appraisal report as required by U.S.P.A.P.

**Primary Content:**

1. Include a transmittal letter as set forth in the City of Houston Real Estate Branch's Sales Appraisal Format.
2. Include a cover page as set forth in the City of Houston Real Estate Branch's Sales Appraisal Format.
3. Include the City of Houston Real Estate Branch's Real Estate Appraisal Summary for Sales.
4. Include a clear and accurate description of the "Appraisal Process" including the appraisal methodologies applied, approaches used, and a description of the analysis processes. (Description of the Larger Parcel Method, if applicable).
5. State the client and intended users (e.g., City of Houston) and clearly state the intended use of the appraisal.
6. Identify the subject property including the physical and economic property characteristics relevant to the assignment.
7. State the real property interest(s) appraised (fee simple and/or easement) for the larger parcel, as well as the subject parcel(s) as applicable.
8. Include the approved definition of value as stated in the City of Houston Real Estate Branch's Sales Appraisal Format. Market value defined by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, (FIRREA) is used in support of State vs. Carpenter and its definition.
9. Include a Scope of Work as required by U.S.P.A.P.
10. State the date of report, date of site visit, effective date of value, and a reasonable exposure time.
11. Include a market area analysis clearly defining the area boundaries, location, build-up, predominate real estate land uses, the life cycle, sales activities, significant development, economic trends, infrastructure, public facilities, and all pertinent information describing the subject's market area.

12. State the use of the subject property as of the effective date of value and the use of the subject property reflected in the appraisal. Summarize the support and rationale for the appraiser's opinion of highest and best use.

**Subject Property Content:**

1. Provide a detailed description of the subject property's location to include any physical address, location description, and area description clearly identifying the subject property. Provide a description of the subject parcel's location, if applicable.
2. Include the legal description of the subject property per the field notes provided, the survey/drawing provided by the City, or if none is provided, a sketch of the site depicting improvements constructed on the site, if any, and the subject's location in relation to surrounding development. All dimensions and size descriptions of the subject property must be expressed in square footage or acreage.
3. 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.
4. Provide a five-year ownership history of the subject property.
5. Provide a history of the subject's ad valorem taxes for the three-year period immediately preceding the effective date of the appraisal.
6. Include a description of the subject parcel.
7. Provide a detailed description of the subject improvements (if applicable).

**Highest and Best Use Content:**

The Highest and Best Use of the subject and parcel (if applicable) must be reported as Vacant Land Only and As Improved. The Highest and Best Use analysis must be specific and must be determined by the subject's market. 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:**

**Cost Approach to Value:**

1. The Cost Approach to Value must be considered when appraising improved property. A limited form of the Cost Approach may be used when only a portion of the improvements on the site are included in the transaction.
2. Provide a detailed description of the improvements, calculations for the value of the improvements, and sources of the cost estimates (i.e. Marshall Valuation Service, private contractors, etc.). 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, telephone number, and name of the person contacted.
3. Depreciation estimates must be explained and should address the physical, functional, and economic aspects of depreciation as they apply to the property being appraised. These

estimates should be consistent with the design, age, condition, and location of the improvements with the reasoning supported.

4. Appraisers should form an opinion of value using current sales of properties with similar highest and best use, location, and physical characteristics.

**Income Approach to Value:**

1. When the subject property is an income-producing property, the income approach must be applied.
2. Capitalization rates should be fully explained and supported from the market. Include any calculations and the source of any market data used to support the capitalization rate estimate.
3. Income and occupancy estimates should be supported from the market 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 plus any justifiable increase.
4. Projections of future rent and/or income potential and expenses must be based upon reasonably clear and appropriate evidence from the subject market area.
5. The basis for estimating reserves for replacement and deferred maintenance must be fully justified and explained in the report.
6. If utilizing a discount cash flow analysis model, fully explain the basis and reasoning behind income, expense, and occupancy projections.

**Sales Comparison Approach to Value:**

1. The comparable sales utilized in the appraisal must be of a similar highest and best use as the subject, be similar to the subject, compared to the subject, and be good indicators of value. The comparable sales data must be presented in the appraisal with the minimum information required by the City of Houston Real Estate Branch's Sales Appraisal Format Comparable Sales Summary Data Sheet. A three-year sales history of the comparable sales must be analyzed and reported. Any additional information relevant to the comparable or subject must also be included on the Comparable Sales Summary Data Sheet.
2. All comparable sales must be confirmed and documented on the Comparable Sales Summary Data Sheet with data sources, including the source confirmation number, person contacted, their phone number and/or e-mail address.
3. All measurable differences (features) between the subject and each comparable sale must be properly considered (adjusted), on an item-by-item basis, recognized on a percentage basis, be supported by the sale data presented in the report, fully described (with explanation of what, why, how much, and the method used to determine the adjustment amount), and reported in the appraisal.
4. The appraisal must contain a Sales Adjustment Grid as set forth in the City of Houston Real Estate Branch's Sales Appraisal Format. All adjustments must be shown in the Sales Adjustment Grid and explained in "Explanation of Adjustments". In land appraisals, the "per square foot" unit of comparison is preferred.

The appraisal must have a Value Conclusion Section in the Sales Comparison Approach that reconciles the comparable sales and clearly rationalizes support for the appraiser's opinion of value.

**Value Reconciliation Content:**

1. The appraisal must reconcile the applicability or suitability of the approaches and methods used to arrive at the final opinion of value.
2. This section must also contain a statement of the appraiser's final opinion of value, with the effective date of that value.
3. The appraiser must clearly state the logic applied in deriving the opinion(s) of value (depreciated value of improvements, value conclusion for the whole property, etc.).
4. The appraisal must include a signed and dated certification in accordance with U.S.P.A.P. that states the appraiser's opinion(s) of value. This certification must state all extraordinary assumptions and hypothetical conditions and state that their use might have affected the assignment results.

**Addenda Content:**

1. Photographs of the Subject Property – The appraisal must contain color photographs of the subject property clearly depicting the front, street, improvements included in the transaction, and all other features affecting the subject, its value, and marketability. The subject property photographs must clearly depict the subject's location in relation to the surrounding development(s).
2. Location Map – The appraisal must contain a location map with the subject clearly marked. All maps must include a north arrow orientation.
3. Field Notes (if provided) – The appraisal must contain all field notes provided to the appraiser. If field notes have not been provided, some form of a description of the subject must be included.
4. Drawings (if provided) – The appraisal must contain all drawings provided to the appraiser. If no drawings have been provided, the appraisal must contain some form of a valid drawing that describes the subject and its improvements.
5. Flood Zone Map – The appraisal must contain a map clearly showing the subject's FEMA flood zone(s) and a legend with zone definitions. All maps must include a north arrow orientation and the location of the subject property.
6. Comparable Sales Map – The appraisal must contain a map detailing the location of the subject and all comparables utilized in the appraisal. All maps must include a north arrow orientation.
7. Comparable Sale Summary Data Sheets – The appraisal must contain comparable sales data with the minimum information as presented in the City of Houston Real Estate Branch's Sales Appraisal Format Comparable Sales Summary Data Sheet. Any other information that is relevant to the comparable or subject, such as photos of the comparables and of any immediate influence upon that property, must also be included in this section.
8. Other, as required – The appraisal must contain any additional information outlined in the City of Houston Real Estate Branch's Sales Appraisal Format that supports the value opinion(s) and conclusion(s) as well as any additional information that may be required for the specific assignment.