

DRAFT –WORKING NOTES

Current Status and Recommendations September 8, 2003

The following recommendations from the Appraisal Reform Team have been sent to Departmental officials for consideration. **Please note that these recommendations have not yet been approved by the Department, and are therefore subject to change or modification.**

Once these recommendations receive Departmental and subsequently Congressional approval, the Department will move expeditiously to enact the final recommendations. The Team suggests that employees continue to check the “Information for Employees on Land Appraisal Reform” website (<http://www.doi.gov/appraisalreform/>). If you have additional questions, please send them to the question and answer email address listed on the website.

1) Designation of New Office in NBC

Issue/Task: Organizational location of new appraisal office.

Proposal: The Team recommends that the new appraisal office be housed in the Department’s National Business Center (NBC), which is within the Office of the Secretary. The Team recommends that the office be created at a directorate level, with the new Chief Appraiser reporting to the Director of the NBC.

Rationale: NBC will be able to provide support that this function needs, provide for economies of scale, and has experience in administering similar types of functions. Additionally, locating the office within NBC allows for the new office to accrue the benefits of consolidation within the Office of the Secretary, and best ensures appraiser independence and a focus on customer service.

2) Delegation of Authority

Issue/Task: The various land-acquisition agencies within the Department of the Interior (DOI) have been operating autonomously since their creation. The delegation of authority for appraisal review and acceptance has flowed from the Secretary of the Interior to the Directors of the various agencies and then downward within the respective agencies to the review appraisers. Since the appraisal organizations within the various agencies will now be consolidated, the delegation of authority must be redefined.

Proposal: The Team recommends that the delegation of authority should be structured as follows:

DRAFT –WORKING NOTES

Secretary of the Interior → Assistant Secretary-Policy,
Management and Budget → Deputy Assistant Secretary-Budget
and Finance → Director, National Business Center → DOI Chief
Appraiser → Regional Supervisory Appraisers → Review
Appraisers

Rationale: Initially, some Team members were of the opinion that the chain should be streamlined by eliminating the Director of the NBC. However, the Team ultimately agreed that since the NBC is responsible for the new organization, its director should be in the chain of delegation. Further, inclusion of the Director assures that the Chief Appraiser receives delegation from a career official. The Chief Appraiser may also chose to have Deputies (see discussion in Recommendation 8-b).

3) New Policies (7 total)

Issue / Task: Major Principles/Policies

Policy Proposal #1: The Team recommends that all real property acquisition and exchange appraisals and reviews must be in compliance with the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA).

Rationale: This policy is also cited as Appraisal Subgroup Recommendation #4 in the Bureau of Land Management (BLM) *Appraisal and Exchange Workgroup* Final Report dated May 2003.

The UASFLA has been the official appraisal standard in the Bureaus since it was first published in 1971; however, the UASFLA has not been consistently and uniformly applied in the Department. The UASFLA is a government-wide appraisal standard which promotes uniformity by the government and fairness to property owners. It has been subject to both public and professional peer review for decades, and largely reflects Federal court decisions.

Policy Proposal #2: The Team proposes that all appraisals and valuation services for purposes in which the UASFLA are not applicable, must at a minimum be prepared in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP).

Rationale: This policy is also cited as Appraisal Subgroup Recommendation #4 in the BLM *Appraisal and Exchange Workgroup* Final Report dated May 2003.

DRAFT –WORKING NOTES

The Department utilizes a considerable number of appraisals for transactions other than land acquisitions or exchanges (e.g., Fish and Wildlife Service (FWS) revenue sharing, National Park Service (NPS) concessions, minerals appraisals, appraisals to facilitate the sale or lease of government owned lands for private rights-of-way or communications uses, disposal appraisals, excess land appraisals, as well as other non-acquisition or exchange valuation services, etc.). There are no existing uniform Departmental standards for these appraisals.

The USPAP is a nationally recognized appraisal standard and has been binding on all credentialed appraisers since 1992. The USPAP includes standards for real property, personal property, business appraisals, mass appraisals, and consulting, etc.

Policy Proposal #3: Since each agency has unique land acquisition programs, separate and distinct appraisal policies and procedures have evolved. Given consolidation, the issue of inconsistent bureau appraisal guidance and policies must be resolved. The Team believes that existing bureau appraisal policies should be recognized, as appropriate, within the new organization until the DOI Chief Appraiser (to be appointed) rescinds the old policies and implements a new, comprehensive policy. However, prior to the issuance of such a policy, incremental changes to current policies or guidance (such as other policy proposals in this memo) will, as applicable, supersede existing agency guidance.

Rationale: This course of action is practical and desirable since: (a) there is no urgent need for a new, unified appraisal policy other than the policies recommended in this memo; (b) the task will require a great deal of time and effort to properly research and implement; and (c) this course of action will permit the DOI Chief Appraiser the opportunity to provide input after considering the nuances, strengths and weakness of existing appraisal policies. It is likely the DOI Chief Appraiser may implement incremental changes to assure consistency and improve quality before implementing a new, unified appraisal policy.

Policy Proposal #4: All appraisal reports and appraisal reviews must be signed or co-signed by a state certified general appraiser by July 1, 2004, unless a temporary waiver is issued to an individual by the (acting) DOI Chief Appraiser.

Rationale: Since 1992, Federal legislation has required all private sector appraisers to be state certified or licensed. The BLM and the

DRAFT –WORKING NOTES

Bureau of Indian Affairs (BIA) already require their staff appraisers to be state certified; the FWS, NPS, and Bureau of Reclamation (BOR) do not. However, the credibility of the new office will be weakened without a uniform policy which meets or exceeds the minimum requirements the Federal government has imposed on the private sector.

Federal legislation governing the certification of appraisers does not regulate the review of appraisal reports by review appraisers. However, review appraisers are ultimately responsible for the quality of all appraisal reports because they approve them for Departmental use via a written technical review. Therefore, review appraisers should possess appropriate qualifications which are commensurate with those of appraisers who prepare the appraisal reports.

- Policy Proposal #5:** DOI appraiser qualification standards:
- **GS-12 and above:** To be promoted or hired to these levels, state general appraisal certification is necessary. Current employees at these levels who are currently not state-certified must complete certification by 1/1/07.
 - **GS-13 and above:** To be promoted or hired to these levels, it is necessary to have a credible professional appraisal designation by a sponsoring member of the Appraisal Foundation, requiring successful completion of a comprehensive examination, documented experience and rigorous training. The Chief Appraiser shall determine those designations which qualify. However, current employees at these levels who do not have a professional designation will not be required to obtain a designation.

Rationale: Since 1992, Federal legislation has required all private sector appraisers to be state certified or licensed. Additionally, it is reasonable that appraisers in positions of advanced responsibility demonstrate qualifications which exceed basic certification requirements.

Policy Proposal #6: Appraisals used in agency land actions shall be coordinated in advance with appropriate agency personnel. Unsolicited appraisals shall not be the basis of an agency action or decision.

Rationale: This new policy is another important aspect of quality control for the new office. Requiring a third party to coordinate with the Department on an appraisal helps to ensure that these proponent appraisals will be completed in full compliance with official Departmental appraisal standards.

DRAFT –WORKING NOTES

Policy Proposal #7: Unique valuation issues should be addressed as follows:

- Minerals and Timber—Bureaus retain responsibility for work related to commodity sales or mineral leasing; as appropriate, they provide consultant's reports (see below) to the new appraisal office where required for the completion of appraisals.
- Concessions—valuation responsibility transferred to new office.

Rationale:

Minerals or timber evaluations that are prepared for commodity sales differ from appraisals and need not be done by the appraisal organization. Employees who perform these functions should remain with their respective bureaus. However, these evaluations may in some cases be pertinent to transactions in which the office participates. A mineral or timber evaluation may be used in conjunction with a real estate appraisal (e.g., a timber cruise, adjusted to reflect market treatment, may be incorporated into a real estate appraisal of timbered property). In such cases, the evaluation constitutes a consultant's report upon which the appraiser may rely if the evaluation is deemed to be reasonable, but for which the appraiser must accept ultimate responsibility. The UASFLA recognizes these situations, noting that:

"Appraisers are increasingly forced to rely on consultants' reports on technical issues. However, the appraiser cannot merely accept such consultant reports as accurate, but rather must review such reports and adopt them only if reasonable and adequately documented and supported. The results of secondary valuation reports, such as mineral, fixture, or timber valuations, cannot simply be added to the value of the land to arrive at a value of the property as a whole without proper analysis by the appraiser. To do so is a violation of the unit rule and professional standards.

[USPAP SR 1-4(e)] The appraiser must consider these components of the property in light of how they contribute to the market value of the property as a whole." (UASFLA D-4 "Appraiser's Use of Consultant's Reports")

Consequently, although the preparers of these evaluations should remain with bureaus (BLM and MMS), it will be necessary to assure close coordination with the new office. Accordingly, the Chief Appraiser may want to issue guidance which addresses these situations.

DRAFT –WORKING NOTES

Concession appraisals should be performed under the auspices of the new office. In contrast to the mineral and timber evaluations noted above, these evaluations are appraisals and are prepared under UASFLA and USPAP.

4) Non-Appraisers with Appraisal Duties

Issue/Task: Determine if any non-appraisers (usually realty specialists --1170s) who currently perform some appraisal work continue their appraisal duties until they either choose to become appraisers (1171s) and join the new office, or the new office receives sufficient personnel and/or resources to address workloads.

Proposal: The Team supports the transfer of appraisers (1171s) to the new appraisal office when it is established and also agrees (as indicated in the above noted policies) that all appraisal work should be conducted by the new office. However, some non-appraisers now spend part of their time performing appraisal duties. The Team recommends that the wishes of these employees be given significant weight as agencies and NBC (specifically the Chief Appraiser) determine the resource requirements of the new organization. Employees should be fully informed as to the certification and professional designation requirements for appraisers in the new organization (noting especially the policies outlined above), and the opportunities potentially available to them both in the new office and in their current organization in order to assist them in determining their preference.

Although appraisers (1171s) will join the new organization upon its establishment, other resources which now support appraisal operations (including a share of the 1170 FTEs noted above and other support functions) will not be made available until later in FY 2004, after NBC and the affected bureaus are able to provide a more precise estimate of resource needs. In order to address workload issues in this interim period, and specifically the use of non-1171 personnel who now perform appraisal duties, the Team recommends the following:

- It is strongly preferred that employees who remain with bureaus do not engage in any appraisal work. If necessary, the new office should seek the assistance of contractors for the interim period, i.e., until the office has sufficient personnel to address any workload imbalances that may occur.
- If the acting Chief Appraiser determines that workload obligations require the use of non-1171 bureau employees to perform appraisal duties in the interim period, the following stipulations should apply: (a) all appraisal work shall be

DRAFT –WORKING NOTES

requested from and assigned by the new office; (b) such work must be prepared in compliance with UASFLA or USPAP, as applicable; and (c) all reports must be subject to review and approval by the new office.

Rationale: This recommendation addresses the need for independence of the appraisal function. It also addresses the concerns of those employees who may need to choose between joining the new office and remaining with their current bureaus. Additionally, the recommendation provides the acting Chief Appraiser with options for handling short term workload issues while still maintaining the integrity of the new office.

5) Appraisal Requests and Workflow

Issue/Task #1: A critical task of the new organization is to monitor and direct the flow of appraisal work without undue disruption to existing operations. Accordingly, the new organization must quickly understand the magnitude of the workload and associated management challenges. The bureaus now use a variety of tools and procedures to request appraisal services. A comprehensive, computer-based work ordering, tracking, and processing application is under development by an interagency group. Ultimately, a common workload management process is critical to the new organization.

Proposal: Valuation products will be requested on a standard electronic form that will be made available online by the NBC. This form will be used during an interim period, while appropriate NBC staff work with the BLM/Forest Service Team that is developing the comprehensive system referenced above.

Rationale: The interim form is a modified version of a BLM form. It is easily modified to accommodate special circumstances, and includes adequate instructions. All agency Chief Appraisers have reviewed and concur in its use. A web-based format will be made available by NBC in early October. The more comprehensive system will be refined and piloted by the new organization prior to implementation (note that an analogous effort is underway in the Forest Service, which is also piloting its system).

Issue/Task #2: Who will request appraisal services, and from whom, in the new organization? Where will appraisals be delivered?

DRAFT –WORKING NOTES

Proposal: Initially, there will be minimal immediate change in initiation of appraisal work. Over time, changes will be implemented as appropriate by the DOI Chief Appraiser.

Appraisals will continue to be requested by those who currently order appraisal services within the agencies (generally realty managers). Requests will be documented using the format adopted by the Implementation Team, and the form and attachments will be forwarded (electronically) to the Regional Supervisory Appraisers, who will manage assignments. A copy will also be sent to the DOI Chief Appraiser. Upon completion and review, appraisals will be delivered to the individuals identified on the appraisal request.

The request will be coordinated in advance with the reviewer ultimately responsible for the review, in most cases the Regional Supervisory Appraiser or a delegated senior reviewer. The agencies should continue to follow any traditional in-house approval processes. The new organization will assume all appraisal requests are valid and appropriate; early advance involvement by the review appraisers will help assure this is so.

Agencies should continue with existing contracting processes until directed to begin using the NBC contracts.

Rationale: One of Assistant Secretary Scarlett’s charges was to keep disruption to a minimum. Therefore traditional processes will be used in the interim to the extent possible. However, it is critical that appraisal needs be properly identified and that appraisals be requested at the optimum time. Experience in some agencies indicates that early involvement in the land action by the appraisal function is important to obtaining the appropriate appraisal products at the optimum time. If the appraisal function is not currently involved in coordinating appraisal services for the realty action, adequate involvement is an immediate objective of the reorganization.

Issue/Task #3: How will appraisals in progress be handled, who will approve them, and who will be responsible for them upon reorganization?

Proposal: Prior to the establishment of the new organization, the agency Chief Appraisers will provide a list of appraisal work in progress, and requests likely to be forthcoming, including a brief assessment of the magnitude, sensitivity, and complexity of each. In general, appraisals will continue to be reviewed by those authorized to do so prior to reorganization. One of the first acts of the new organization’s management will be to delegate appraisal review

DRAFT –WORKING NOTES

and approval authority through Headquarters to the various Regional Supervisory Appraisers and ultimately to the field.

Rationale: The acting DOI Chief Appraiser will assume ultimate responsibility for the value estimates and work products. It is impossible for one person to be knowledgeable of all the appraisals in progress, but some assessment of the work is necessary immediately, until procedures can be implemented delegating the responsibility. A brief assessment will allow the interim Chief to focus on potential problems and assess immediate risks.

6) Regional and Field Offices

Issue/Task: Selection of regional and field offices

Proposal: **Regional offices**—Regional offices should be selected based on the following criteria: 1) Continued close face-to-face cooperation with the bureau realty offices; 2) centered where appraisers are currently located; 3) co-located with NBC where feasible; 4) located in cities that offer reasonable air transportation access; 5) dispersed geographically to cover all areas of the United States; and 6) co-located with regional offices for other agencies engaged in similar work (e.g., Forest Service).

Based on the above criteria, the Team recommends the following 7 potential regional offices: Portland, Sacramento, Phoenix, Minneapolis, the DC Metro Area, Atlanta, and Denver.

It should be noted that some Team members expressed concern about including California and Hawaii as a separate region. Accordingly, one alternative to the recommended regional structure is to consider creating one west coast region, with either Portland or Sacramento as the regional office. Other Team members, however, believe that this too would create a workload imbalance. In any event, the DOI Chief Appraiser should have the authority to consider adjustments to the regional alignment based on policy, workload factors and other pertinent considerations.

If OST appraisers ultimately join the new organization, a regional office could be located in Oklahoma, to cover that state and Texas.

Field Offices—Field offices are clearly necessary for an effective appraisal organization. The Team believes that field offices in the following locations may be essential, recognizing that this list will likely need to be expanded and is not intended to be exhaustive: Anchorage, Hadley (MA), Albuquerque, Las Vegas, South Dakota (city TBD) and/or Fergus Falls (MN), Naples (FL), Salt Lake City, and Boise.

DRAFT –WORKING NOTES

If OST ultimately joins the new organization, field offices would likely be essential in Billings (MT), and Ashland (WI).

Rationale: The placement of regional offices should assure that each bureau regional or state office has a reasonably proximate appraisal office that is serviced by adequate airline connections. Ideally, regional offices should be located where there are multiple bureau regional or state realty offices. Most offices would be located in the West because of the workload distribution, but note that the team’s proposal includes two regional offices in the East as well as a Minneapolis office.

As noted above, the team also believes that field offices will be needed in each region, although the number of such offices may ultimately decline somewhat from current alignment due to organizational efficiencies and other factors.

If OST appraisers ultimately join the new organization, its size will increase by over 40 percent. As noted above, this could justify another regional office.

7) Timetable for Geographic Consolidation

Issue/Task: To determine timeframe for potential consolidation of appraisal offices.

Proposal: The Team recommends that the timetable for field consolidation should ultimately be determined when the new Chief Appraiser is selected. However, the Team offers the following general recommendations:

- Forced moves are not a preferred management tool. There should be no forced moves for three years. Additionally, in considering potential moves, allowances should be made for hardship (e.g., individuals who are close to retirement), and the operational success and efficiencies of the status quo.
- Consider consolidating offices located within the same cities and/or within a commuting distance of 50 miles. Also, co-locate with NBC offices when possible (note that this was a factor considered in recommending regional offices.)

Rationale: This approach would cause minimal disruption to staff and bureau work flow, while promoting efficiency and economies of scale.

8) Miscellaneous Recommendations

(a) Location, Criteria and Duties for New Chief Appraiser:

The Team agrees that the Chief Appraiser should be located in Washington. Additionally, the Team has agreed to a list of necessary and

DRAFT –WORKING NOTES

desirable qualifications and duties for the Chief Appraiser. Some of the qualifications include: desirability to have multi-bureau experience; at least one active state general appraisal certification as well as an active real estate appraisal designation at a level higher than state certification and which is attained through a rigorous process (e.g., examination); and experience in policy and procedures development. Some of the duties include: providing technical support to Departmental officials; providing policy and direction on appraisals; and coordinating and directing appraisal work on the most complex and politically sensitive appraisal issues.

(b) Interim Structure:

There will be a time lag between the establishment of the new office and the appointment of Regional Supervisory Appraisers, as well as the consolidation of appraisers in regional locations in common space. In order to avoid disruptions in workload, the Team proposes that the former bureau Chief Appraisers manage their prior appraiser counterparts at the outset of this transitional period. DOI's acting Chief Appraiser should (in consultation with the present bureau Chief Appraisers as appropriate) design an interim organizational hierarchy. This structure should continue until acting or permanent Regional Supervisory Appraisers are selected (these selections may occur more quickly in some regions than in others). The acting Chief Appraiser should retain the option to continue a temporary organizational structure, in whole or in part, while permanent regional office quarters are being obtained and equipped. In the event that a region obtains and equips quarters prior to the appointment of a permanent Regional Supervisory Appraiser, an acting Regional Supervisory Appraiser should be appointed to facilitate the eventual transition.

In addition, the Team recommends the establishment of an operating officer for management, possibly as a Deputy (and, if so, perhaps with the title Deputy Director for Management) to the Chief Appraiser. This person would not be in line for delegation of authority and need not be an appraiser. The Chief may also want to consider selecting one or more deputies for operations as well, to oversee field operations and other areas within the scope of the office.

(c) Communications:

Prior to the establishment of the new organization within NBC, the Department should issue guidance describing office procedures for a variety of operational processes, including travel voucher approval, time sheet completion, and performance reviews. In addition, guidance should also be issued detailing new lines of authority, including supervisory channels (again, subject to modification by the interim Chief Appraiser).

DRAFT –WORKING NOTES

In addition to this detailed guidance, NBC plans to sponsor a teleconference for appraisal and other interested staff prior to establishment of the new organization. Participants on the teleconference may include a Departmental policy official, the interim Chief Appraiser, the NBC director, and some Team representatives.

NBC should also consider a kick-off conference for the new office. Such a conference could include: an introduction and overview of the new organization; a review of all management and appraisal reforms being implemented; a training session on the UASFLA; and more.

Recommendations Forthcoming after Next Meeting:

- Oversight Mechanism
- Training
- Further Communications/Outreach