



## HUD

Office of Community Planning and Development  
Los Angeles Field Office

## Information Bulletin

Issue No. CPD-2011-01  
December 6, 2010

**MEMORANDUM FOR:** Community Development Block Grant (CDBG) Grantees, HOME Participating Jurisdictions (PJ), Neighborhood Stabilization Program (NSP) Grantees

**FROM:** Robert G. Iumin, Deputy Director, Office of Community Planning and Development

**SUBJECT:** Appraisal Process under the Uniform Relocation and Real Property Acquisition Policies Act of 1970 (URA) as amended

During recent HUD acquisition and relocation monitoring HUD staff noted that grantees and participating jurisdictions are not complying with the URA appraisal process for: 1) determining when an appraisal is required, 2) establishing written appraiser qualification standards and 3) completing appraisals that contain all the URA required elements.

**Determining When an Appraisal Is Required-** A Grantee or PJ that properly documents that an acquisition is voluntary does not have to obtain a URA appraisal to establish the market value of properties. Instead it may document property value by obtaining a limited appraisal, analyzing comparables, etc. However, Grantees and PJ's **must** obtain an appraisal that meets URA standards at 49 CFR 24.103 under the following circumstances:

1. The grantee or participating jurisdiction determines to use its power of eminent domain at the beginning of the project or any time during the project. (The URA applies whether or not power of eminent domain is actually used – the threat of eminent domain is enough.)
2. A third party applicant for HUD funds (i.e. sponsor, sub-recipient, etc) attempts to purchase one or more properties on a voluntary basis, but when some owners don't accept the offers the Grantee/ PJ initiates eminent domain proceedings.
3. To secure the sale the owners are given letters of exemption from state taxes based on the definition of the sale as being under threat of eminent domain.
4. The grantee or participating jurisdiction uses a third party to act on their behalf to make offers for properties to prevent owners from inflating the purchase price.
5. If NSP funds are used in the acquisition please note that the original NSP regulations required properties to be discounted from the "current market appraised value" as determined by the URA criteria at 49 CFR 24.103. The NSP regulations, revised on October 18, 2010, now permit the use one of three appraisal standards: 1) the URA criteria at 49 CFR 24.103, (2) the Uniform Standards of Professional Appraisal Practice (USPAP), or (3) appraisal requirements of the Federal Housing Administration (FHA) or a government sponsored enterprise (GSE).

## **Establishing Written Appraiser Qualifications**

49 CFR 24.103(d) requires that grantees and participating jurisdictions to establish criteria for determining the minimum qualifications and competences of appraisers and review appraisers that are consistent with the scope of work. In some cases, Grantees or PJ's may already have an informal standard for determining if an appraiser is qualified (i.e., licenses, professional designations, experience with certain kinds of properties or funding sources). These existing informal standards should be written down or, if no informal standards exist, standards should be developed. In either event a copy of the appraiser qualifications should be maintained in a file.

## **Completing Appraisals That Contain all the URA Required Elements**

Appraisals requiring compliance with 49 CFR 24.103 must contain all of the following elements

- An adequate description of physical characteristics, personal property, a statement of known and observed encumbrances, if any, title information, location, zoning, present use, an analysis of highest and best use and a five year sales history.
- All relevant and reliable approaches of value.
- A description of comparable sales including a description of all relevant physical, legal and economic factors such as parties to the transaction source and method of financing and verification by a part involved in the transaction.
- A statement of the appraised value of the property
- The effective date of valuation, appraisal date, signature, appraiser certification.

The following URA required elements were missing in appraisals recently monitored by HUD:

- A five year sales history of the property (Usually only three are shown)
- Title information (Title document not made available)
- A statement of known and observed encumbrances ( Not shown, if none, so state)
- For comparable sales: the parties to the transaction, verification of the purchase price by a party involved in the transactions and source and method of financing. (Not shown)

## **How to Ensure Compliance with 49 CFR 24.103**

- Review HUD Handbook 1378 Appendix 19 (Guide for Preparing an Appraisal Scope of Work) and Appendix 20 (Agreement for Appraiser Services) prior to preparing contracts with appraisers. These appendices are designed to comply with the URA. Use the appendices to prepare new appraisal contracts or modify existing appraisal contracts. Use the URA appraiser certification in Appendix 19 for projects requiring URA compliance.
- Develop written procedures, checklists, and other guidance to aid staff in determining: 1) when an appraisal is required, 2) contracting with appraisers and 3) reviewing appraisals for compliance with all URA requirements.

**If you have any questions about this information bulletin, or need other assistance with URA or Section 104(d) compliance, please contact Jana Bickel, HUD Los Angeles Field Office Relocation Specialist at (213)-534-2581.**