FAA Compliance Guidance Letter (CGL)
Appraisal Standards for the Sale and Disposal of Federally Obligated Airport Property

Presented to: 2018 Recurrent Compliance
Torrance, CA

By: Rick Etter, APP 400

Date: September 11, 2018
Appraisal Standards CGL

• Describes the appraisal process and report documentation standards for establishing Fair Market Value for the sale, exchange or leasing of federally obligated property.

• Supports FAA Order 5190.6B, Airport Compliance Manual in determining Fair Market Value.

• Developed to address a DOT OIG requirement that the ARP establish standards regarding appraisals.

• To inform and assist FAA field offices, airport sponsors, and commercial appraisers about the FAA accepted appraisal process regarding the sale and leasing of federally obligated property.
Learning Objectives

– When an Airport Needs an Appraisal?
– What is Fair Market Value (FMV)?
– Sponsor Solicitation of Qualified Appraisers
– Overview of Sample Appraisal Scope of Work
When an Airport needs an Appraisal?

FAA’s *Revenue Use Policy* self-sustaining principle requires that the airport receive Fair Market Value for the sale and lease of airport property and facilities for non-aeronautical use.

The FAA uses an appraisal to document the Fair Market Value (FMV) of airport real property to be leased or sold.
When Does an Airport Need an FMV Appraisal?

FMV is to be appraised for any obligated land to be leased, sold, conveyed for non-aeronautical uses, such as to:

- Private developers, non-aviation commercial interests
- Other municipal purposes
- Non-aviation public development
- Friends and Family

FMV is **Not** the Standard for Setting Aeronautical Rates and Charges
What is Fair Market Value (FMV)?

DEFINITION OF MARKET VALUE: the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. The conditions of the sale include:

- Buyer and seller are typically motivated;
- Both parties are well informed, and each acts in his or her own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions.
Appraiser Qualifications

• Must be licensed by a state appraisal licensing board. Each state adopted the Uniform Standards of Professional Appraisal Practice as the governing appraiser education and experience qualification.

• Airport properties are typically considered complex and normally must be appraised by a state “Certified General Appraiser”. The appraiser must have competency with the property type, relevant real estate markets, the intended use of the appraisal report, and appraisal methods needed to develop a credible fair market value of the property.

• The sponsor should seek to hire the best-qualified appraiser for the type of property, the complexity of the property, the appraiser’s familiarity and expertise in the relevant real estate market.
Sponsor Solicitation of Qualified Appraiser

How many appraisals are needed?

• Property Under $1,000,000 – 1 appraisal is required. If complex, it is recommended that the sponsor also retain a review appraiser.

• Property worth more than $1 million - 2 independent appraisers and a review appraiser.

• Uncomplicated Property with FMV under $25,000 – If the sponsor can establish by reference to other valuations that the FMV of the property is less than $25,000 and the property lease or disposal is uncomplicated; then the sponsor is not required to secure an professional appraisal report.
Appraisal Scope of Work for FAA Acceptance

Sample Scope of Work
Guidance and Sample Templates

In this CGL, you will find the information regarding:

– Governing Real Property Appraisal standards and authorities for FAA
– Discussion of the basic FMV appraisal process
– Airport sponsor’s solicitation of a “qualified” appraiser
– Acceptable “scope of work” for an appraisal of airport real property
– Features of an acceptable appraisal report
– Sponsor Guidance Letter Template
– Glossary of Real Property Appraisal Terms
Questions???