

# **FAA Compliance Guidance Letter (CGL)**

## ***Appraisal Standards for the Sale and Disposal of Federally Obligated Airport Property***

**Presented to:** 2018 Recurrent Compliance  
Torrance, CA

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**Federal Aviation  
Administration**

# 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???

