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Tree Appraisal: Assignment Result in the 10th Edition— Cost or Value

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Disclaimer: This article presents the documented research and findings of the authors. This article is not an ASCA position or statement on any aspect of tree appraisal.

Introduction

This article provides a very brief introduction to *assignment result* as presented in the *Guide for Plant Appraisal*, 10th Edition (CTLA 2019).

Every appraisal is an answer to a question about monetary worth. Tree appraisal considers the monetary worth of trees. Appraisers use the *appraisal process*, “a systematic series of steps which assist the appraiser in developing answers to a client’s question...” (10th Edition, p. 17¹). The *assignment result* is the specific answer to that question: “an appraiser’s opinions and conclusions developed specific to an assignment” (10th Edition, p. 7).

Assignment result is a new term in the 10th Edition. The 8th Edition (CTLA 1992, pp. 53, 57) and 9th Edition (CTLA 2000, pp. 60, 71) used the term *appraised value*. The 10th Edition cautions (p. 7 footnote) that using *appraised value*... calls into question what type of value or cost it represents.” The 10th Edition, rather disconnectedly in the Glossary, addresses the issue by defining appraised value as “an assignment result that identifies the type of value or cost it represents.”

Thus, whether the appraiser describes the answer—the opinion of monetary worth—as *assignment result* or as *appraised value*, the appraiser must have identified the type of cost or value that the answer represents.

The 9th Edition (p. 19) stated that “...the purpose of an appraisal is...to estimate a defined value...[and] the type of value sought must be defined at the outset,” but provided little guidance on actually doing so. The most important contribution of the 10th Edition (Cullen 2019) is that it provides a specific mechanism to identify the *appraisal problem*, including the type and definition of *assignment result*.

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Identifying the Appraisal Problem

All appraisals require a systematic series of steps. The 10th Edition (p. 17) explains that “...defining the *appraisal problem* is always the first step.” *Appraisal problem* is not defined in the 10th Edition, but it is defined in the literature. Clark (2016) noted that “the appraisal problem is the context for the assignment, the question being asked, and the issue to be resolved.” Cullen (2018) defined it as “a careful and specific statement of the client’s question about value and its context.”



The 10th Edition (p. 18-19) describes six essential elements of the appraisal problem

- (a) The client and intended users of the appraisal.
- (b) The intended use of the appraisal.
- (c) The type and definition of assignment result.
- (d) The effective date of the appraisal.
- (e) The relevant characteristics [of the tree] being appraised
- (f) Any assumptions or limiting conditions.

The appraiser must remember that the appraisal answers the client’s question, and that the question is very specific to the intended use of the appraisal. Discussion of all six elements is beyond the scope of this article, but these two elements of the problem must be clear before considering the type of *assignment result*. Coleman (2016, p. 41) states: “Keep in mind that the valuer does not decide which type of value will apply; he or she merely identifies the type needed, given the nature of the client’s problem.”

Note that Coleman considers the type of *value*. Traditionally, appraisals, are considering questions of *value*, often *market value*. The 10th Edition slips into this

¹ The 9th Edition (CTLA 2000, p. 11) similarly defined *appraisal process* as “the act, manner, or technique of conducting the steps of an appraisal...”

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usage. For example, citing an Appraisal Institute definition of appraisal as “the act or process of developing an opinion of *value*” (p. 7), and describing the appraisal process as “...developing answers to a client’s questions about *value*” (p. 17). As we have already noted, however, the 10th Edition clearly establishes that tree and plant appraisal can properly “identify a *cost* or [a] *value* associated with plants” (p. 1). It also clearly states that “the *assignment result* will always be a *cost* or a *value*” (p. 20).

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The distinctions between cost and value, and different types of cost or value are not discussed here. The important point is that appropriate and relevant *assignment results* are not limited to value, or more specifically to market value. The *assignment result* can be a cost or be based on cost data, as appropriate for the *appraisal problem*.

Cost or Value? An Illustrative Court Case

The case

Romkey v. Osborne (2019 NSSC 56,² Dunster 2019) is the first 10th Edition court case we have found. It involved Romkey’s claim for damages in connection with Osborne’s cutting down 80 trees in a disputed right of way [1, 2].³ Romkey’s expert witness, Stan Kochanoff (RCA #427), using the 9th Edition Trunk Formula Method (TFM) and actual contractor estimates, developed a total replacement cost⁴ of \$78,555 for the 80 destroyed trees [75].

Osborne’s defense lawyer suggested that the 9th Edition required the appraiser to consider the market value of the entire property and cited the 10th Edition as stating that TFM “may result in estimates of tree value that are greatly out of proportion to the value of the land and other property improvements, or to what people would actually pay for a replacement tree.” [76]

Mr. Kochanoff “maintained that market value was irrelevant to his assignment in this case, which was to determine the cost to replace the trees and restore the privacy lost...” [76]

The judge stated, “I disagree with Mr. Osborne’s submission that Mr. Kochanoff’s report is of no assistance to the court. Mr. Kochanoff was asked by the Romkeys to assess the cost to replace the trees cut by Mr. Osborne and restore the privacy that was lost when they were removed. He was not asked to determine the resulting diminution in property value or to interpret the right of way. In his assessment, which I accept, those factors were not relevant to the task he was asked to undertake. I find that Mr. Kochanoff’s appraised value is a reliable estimate of the cost to the Romkeys to replace the trees and return their property to its pre-trespass condition. Whether replacement value is the appropriate measure of damages is a separate question” [154].

What the case illustrates

Romkey nicely illustrates the importance of understanding the client’s question as the critical first step in identifying the appraisal problem. As noted above, identifying the type and definition of *assignment result*, whether cost or value, is an essential element of the *appraisal problem*. The appraiser identified the prob-

lem, solved the problem, and reported the result. The court accepted that result.

The court’s use of “replacement value” to describe a depreciated cost-based opinion demonstrates the validity of value types other than market value.

This case also documents how the 10th Edition has been read to create a bias to or a preference for market value *assignment results*.

Another Illustrative Case

We are aware of another case in which the plaintiff, who lost a number of trees, specifically asked the same question as in *Romkey*: “What will it cost to replace the trees, and restore the property to its pre-injury condition.” This plaintiff had requested one appraisal, based on 10th Edition process, and found it significantly limited by the appraiser’s consideration of the market value of the land. The appraisal did not answer the client’s question, which was simply concerned with the cost to restore the land, and to replace the trees, considering appropriate depreciation. The plaintiff considered market value of the land to be an unreasonable and unsupported constraint on the first appraisal. This layperson, previously unfamiliar with plant appraisal approaches or methods, purchased the 10th Edition, read it thoroughly, and concluded that it led to an appraiser bias to provide a market value answer, even though that was not the question asked. It was not the assignment the first appraiser was hired to complete. That bias prevented the appraiser from even understanding the plaintiff’s question, much less answering it. The plaintiff hired a second appraiser who understood the *appraisal problem* and the client’s question.

² The Supreme Court of Nova Scotia is a trial court. <https://www.courts.ns.ca/>

³ The square bracket references in this section are to paragraphs in the *Romkey* decision.

⁴ “Replacement cost” here is used in the general, vernacular sense, and there is no 10th Edition technical distinction between replacement cost and reproduction cost.

Summary

This article explains that every appraisal is an answer to a client's question. The *assignment result* is the specific answer to the question. Appraisers follow a systematic set of steps known as the *appraisal process*, and the first step of the process is always identification of the *appraisal problem*. Essential elements of the appraisal problem include the client, the intended use of the appraisal, and the type and definition of *assignment result*. The client's question and the intended use of the appraisal must be understood before identifying the type and definition of *assignment result*.

The 10th Edition is clear that the assignment result is always some defined type of value or cost. Thus, despite any perceived 10th Edition bias to consider market value in every appraisal, the appraiser is not limited to developing *assignment results* that are constrained by market value. 🌱

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