

Tree Appraisal: Understanding the Appraisal Problem, Scope of Work, and Assignment

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Introduction

The *Guide for Plant Appraisal, 9th Edition* (CTLA 2000, p.11) described the appraisal process as a systematic set of steps for understanding and completing an appraisal. The text generally described the appraisal “situation,” “assignment,” and “case” but did not define or distinguish those terms. The section on reporting (p. 117) referred to the “nature and scope of the assignment.” More recently, Vicary and Gooding (2007) referred to the “appraisal problem” and Clark (2016b) referred to the “appraisal problem,” “scope of work,” and “assignment.”

The purpose of this article is to explain the differences among the terms Appraisal Problem, Scope of Work, and Assignment in tree appraisal, particularly using the forthcoming *Guide for Plant Appraisal, 10th Edition* (CTLA 2018). These terms are not merely different ways of saying the same thing. They have distinct meanings for professional appraisers.

Tree appraisers have been urged to become familiar with, if not adopt, terminology used by other professional appraisers (Vicary and Gooding 2007, Clark 2016a, Duntemann 2016, Duntemann and Stuart 2017). This article relies on definitions and guidance in the professional appraisal literature that are directly applicable or easily adaptable to

tree appraisal. Embracing these distinct meanings will add clarity, precision, and reliability to the tree appraisal process.

Definitions

Appraisal Problem

While the Appraisal Problem is the cornerstone of the Appraisal Process, it is not a defined term. It has been described as both “a careful and specific statement of the client’s question about value and its context” (Cullen 2016a) and “the context for the assignment, the question being asked, and the issue to be resolved” (Clark 2016b). The Appraisal Problem is described by a set of assumptions, circumstances, facts, and (where appropriate) legal context. These problem elements are listed below.

The Uniform Standards of Professional Appraisal Practice—USPAP (Appraisal Standards Board 2018, SR1-1[a-g]), the *Canadian Uniform Standards of Professional Appraisal Practice—CUSPAP* (Appraisal Institute of Canada 2016, §6.2), the Appraisal Institute’s *Standards of Valuation Practice—SVP* (2016, A-1[a-i]), *Scope of Work, 2nd Edition* (Coleman 2016, p. 37), and *The Appraisal of Real Estate, 14th Edition* (Appraisal Institute 2013, p. 49) all list the elements of the Appraisal Problem that must be identified by the appraiser. While the sources enu-



merate them differently (see box below), they all include these essential elements:

- (a) The client and any other intended users of the appraisal
- (b) The intended use of the appraisal
- (c) The type and definition of value
- (d) The effective date of valuation
- (e) Relevant property characteristics
- (f) Any extraordinary or special assumptions and hypothetical conditions
- (h) Any other conditions, including general assumptions and applicable laws

Varied Enumeration of Problem Elements

- *USPAP*, *CUSPAP*, and *SVP* combine client and other intended users as one element, while *The Appraisal of Real Estate* and *Scope of Work* treat them as separate elements.
- *USPAP*, *CUSPAP*, and *SVP* treat extraordinary (special) assumptions and hypothetical conditions as separate elements, and *SVP* additionally separates other conditions. *The Appraisal of Real Estate* and *Scope of Work*, however, combine limiting conditions as one element but carefully explain the various types of conditions separately.

“Appraisal Problem, Scope of Work, and Assignment are not merely different ways of saying the same thing.”

Coleman (2006a, p. 37; 2006b; 2016, p. 35) describes these problem elements as the “significant seven.” *The Appraisal of Real Estate* (p. 88) explains that “identification of the seven significant assignment elements...is, in effect, the process of identifying the appraisal problem.”

The appraiser does not decide or determine these seven elements, but identifies them in the client’s appraisal problem. *USPAP*, *CUSPAP*, *SVP*, and *The Appraisal of Real Estate* purposefully use the verb “identify.” Coleman (2016, p. 41) clearly 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.”

Scope of Work

For professional appraisers, Scope of Work has a specific and narrow meaning. *USPAP* and *SVP* define Scope of Work as “the type and extent of research and analysis” in an appraisal. The *Dictionary of Real Estate Appraisal, 6th Edition* (Appraisal Institute 2015) cites *USPAP* and *SVP*. *The Appraisal of Real Estate* (p. 87) defines Scope of Work as “the type and extent of research and analysis in an assignment.” *CUSPAP* similarly defines Scope of Work as “the type and extent of an inspection, research and analysis required... to fulfill the intended use of an assignment” but also includes any limiting conditions that the other sources identify as elements of the Appraisal Problem.

Research can be understood as collecting data from all sources, including field work, and when appropriate establishing legal context with a qualified source. Analysis includes the appraisal approaches, methods, and techniques that the appraiser selects and applies to the data in order to develop indications of value. Analysis also includes any reconciliation procedures that might be necessary to reach a final conclusion or opinion.

“....the appraisal report is not part of the appraisal Scope of Work...”

Note that:

- a) There are three phases of Scope of Work in different steps of the Appraisal Process.
- b) The Scope of Work is not the same as a scope of services (see Assignment).
- c) The appraisal report is not part of the appraisal Scope of Work in any of these sources.

The following section on the Appraisal Process clarifies the issues above.

Data and analysis. In planning the Scope of Work, data and analysis go hand in hand. First, data must be relevant to the appraisal problem. Merriam-Webster (2018) defines “relevant” as “having significant and demonstrable bearing on the matter at hand.” Data do not become relevant simply because they are available or because the appraiser has a preference for certain types of data. For example, if the appraisal problem calls for an estimate of stumpage value, reproduction cost data are not relevant.

Second, an approach, method, or technique is only relevant if the data that would be used by that approach, method, or technique are relevant. For example, if the appraisal problem calls for an estimate of reproduction cost, the sales comparison approach would not be relevant because real estate sales price data are not relevant.

Third, a relevant approach, method or technique cannot be applied if relevant data are not available. For example, if the appraisal problem calls for contributory real estate market value of the trees, the sales comparison approach would be appropriate but cannot be applied if there are no recent sales price data for comparable properties.

To the extent possible, these issues are identified when initially planning the

Scope of Work and before beginning data collection and analysis. The Scope of Work can change, however, as data collection and analysis proceed.

Assignment

ASCA’s Guide to a Professional Consulting Practice (2012, p. 12) notes that the “assignment establishes what the consultant is going to do and what work product will be provided.” *USPAP* defines Assignment as “a valuation service that is provided by an appraiser as a consequence of an agreement with a client.” *CUSPAP* similarly defines Assignment as “a professional service provided as a result of a retainer or agreement between a Member and client.” *SVP* defines Engagement as “an agreement between a valuer and a client to provide a service” and Coleman (2016, p. 36) explains that the terms Assignment and Engagement “mean more or less the same thing.”

The client is the person or other entity who engages or hires the appraiser (Appraisal Institute 2015; Appraisal Institute 2016; Appraisal Institute of Canada 2016 §2.13; Coleman 2016, p. 39; Appraisal Standards Board 2018).

Think of the Assignment as the entire package of services or work that the appraiser agrees to provide to the appraisal client. The Appraisal Problem and the Scope of Work are only two of the service elements of the Assignment. Recall that the Appraisal Problem is a set of parameters and that the service is the *identification* of the Appraisal Problem.

The Assignment might be referred to as a “scope of services” but would inevitably be confused with the Scope of Work. As noted above, the Scope of Work is not the same as a scope of services.

Tree Appraisal *continued***The Appraisal Process**

The terms Appraisal Problem, Scope of Work, and Assignment are best understood within the framework of the Appraisal or Valuation Process. (See Figure 1)

The *Guide for Plant Appraisal, 9th Edition*; *The Appraisal of Real Estate* (p. 35); and the *Dictionary of Real Estate Appraisal* all describe the Appraisal Process as a systematic set of procedures or steps an appraiser follows to provide answers to a client's questions about value. *The Appraisal of Real Estate* also explains that the process is adaptable to a wide range of questions and that the number of steps will vary with the requirements of any particular appraisal. The process can be applied to real property, trees that are part of the real property, trees that are personal property (such as cut timber or dug nursery stock), or trees that might

sometimes be treated as if they are personal property while still attached to the land (such as standing timber under a stumpage contract or in-ground nursery stock). The process can also be applied to different types of value.

question—must be understood before the appraiser enters into an agreement with a client. Therefore, the Appraisal Process begins with preliminary communication with a potential client before the appraiser is hired. (See Figure 1)

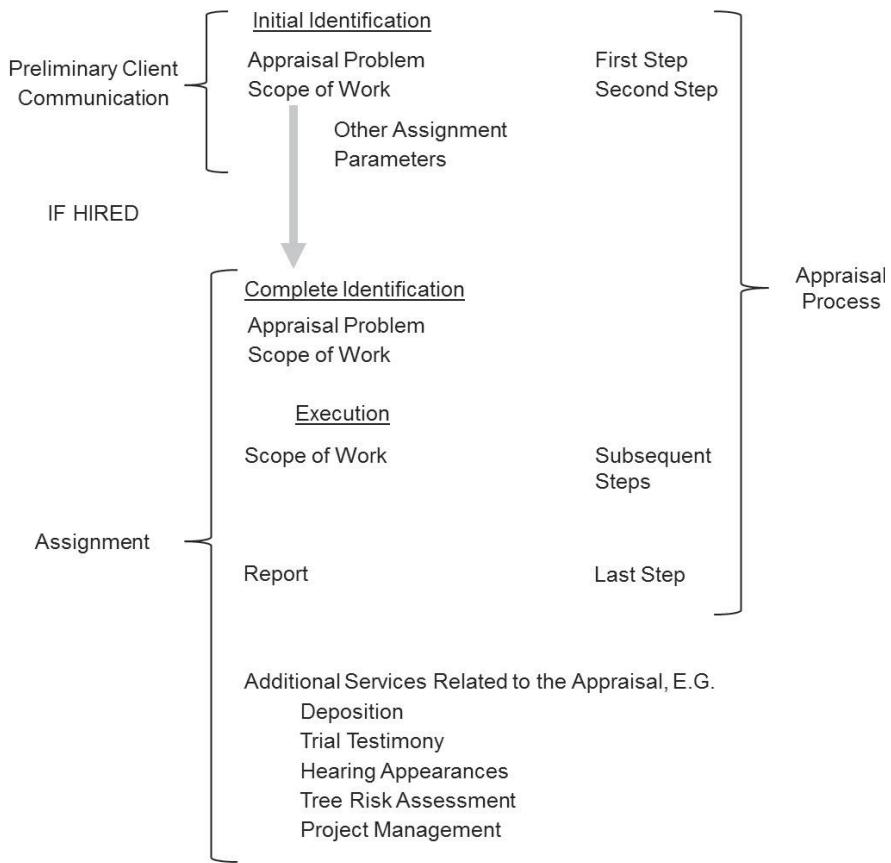
Identification of the Appraisal Problem

The Appraisal of Real Estate (p. 38), Clark (2016b), and Coleman (2016, p. 35) state clearly that the first step in the Appraisal Process is identifying and defining the Appraisal Problem. This is also clear in the sequence of steps set forth in *USPAP* (SR 1-2), *CUSPAP* (§6.2), *SVP* (SR A-2), and the *Dictionary of Real Estate Appraisal* (p. 244). While *The Appraisal of Real Estate* suggests that the process begins "when the appraiser enters into an agreement with a client" to provide appraisal or valuation services, clearly the Appraisal Problem—the client's

Scope of Work

Coleman (2016, p. 35) notes that the "seven parameters [of the Appraisal Problem]...must be known in order for the valuer to decide on the appropriate Scope of Work." *The Appraisal of Real Estate* (p. 88) similarly explains "Only after the elements...are understood can the appraiser move on to the second step [of the Appraisal Process], determining the scope of work necessary to solve the problem." Like the Appraisal Problem, the planned Scope of Work must be understood before the appraiser can enter into an agreement with a client. The preliminary communication with a potential client must include a proposed Scope of Work before there is agreement on the potential Assignment. (See Figure 1) Recall that the planned Scope of Work can change as an actual Assignment proceeds.

Figure 1. Work Flow: Appraisal Problem, Scope of Work, and Assignment in Relation to the Appraisal Process.



As noted in the preceding section, there are three phases of the Scope of Work in different steps of the Appraisal Process. The first is outlining or planning the analyses in the problem identification step. The second is applying or executing the plan (Coleman 2016, p. 21; Appraisal Institute 2013, pp. 38, 88) in subsequent steps. The third is describing or at least summarizing the executed Scope of Work in any written appraisal report in the last step (see *USPAP* [SR 2-2 (a)(vii) and (b)(vii)], *CUSPAP* [§6.2.4], and *SVP* [C-2 (a)(xii)]). Obviously, the second and third phases only happen if the appraiser has been hired. (See Figure 1)

Assignment

Coleman (2016, p. 37) notes that an Assignment requires "...a meeting of the minds between the valuer and the client as to the 'significant seven' parameters"

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of the Appraisal Problem. A meeting of the minds must also include at least an outline of a proposed Scope of work. The appraiser must communicate with the potential client to understand both the Appraisal Problem and an appropriate Scope of Work before it is possible to agree on an Assignment.

The appraiser and a potential client must also agree on other Assignment parameters, including the type of report, a schedule for all services, and the appraiser's fee, and ensure that there are no conflicts of interest. These parameters are in addition to the Appraisal Problem and the Scope of Work. (See Figure 1)

Preliminary communication does not always lead to an Assignment. Coleman continues (p. 38), for example, that "A valuer must refuse an assignment or engagement in which one or more of these parameters is not known or if the [potential] client will not reveal enough information for them to be known." (See box below).

Identification of the Appraisal Problem and Scope of Work are always essential steps in the Appraisal Process. These steps may turn out to be business development

Example Conditions Precluding Acceptance of an Assignment

- The Appraisal Problem is inadequately identified.
- The Appraisal Problem is outside the appraiser's competence.
- The appraiser cannot complete the Assignment in a timely manner.
- The appraiser has a conflict of interest.
- The potential client will not pay for an adequate Scope of Work.
- The appraiser and potential client agree that the expense of the Assignment would not be justified by the potential benefit of the information developed.

or marketing overhead if there is not a meeting of the minds and the appraiser is not hired. They become steps in the Assignment if the appraiser is hired. There is no Assignment if the appraiser is not hired. (See Figure 1) A duty of confidentiality may apply to information revealed by a potential client in the preliminary phase, even if the appraiser is not hired (see ASCA 2011, §2.4; Appraisal Standards Board 2018, p. 8).

The Appraisal of Real Estate (p. 49) notes that the identified elements create "a unique assignment. If an element changes, another assignment is created." Coleman (2016, p. 38) similarly counsels that "if any one of these seven parameters changes once the assignment is begun, the valuer and the client need to 'go back to the drawing board' on the assignment..."

Summary

The **Appraisal Problem** is a careful and specific statement of the client's question about value and its context. It includes seven significant parameters (assumptions, circumstances, facts, and—when appropriate—legal context) that describe the client's question and frame the Assignment. The **Scope of Work** is the type and extent of research (data collection) and analysis applied to solve the appraisal problem. The **Assignment** is the entire package of services that the appraiser agrees with the client to provide. In addition to identification of the Appraisal Problem and identification and execution of the Scope of work, the Assignment includes communicating the solution of the problem in an appraisal report, as well as any additional services, such as expert testimony.

Appraisal Problem, Scope of Work, and Assignment are not interchangeable terms. They have particular and distinct meanings for professional appraisers. Embracing these distinct meanings will add clarity, precision, and reliability to the tree appraisal process. 

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