

**GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS**  
**Housing Finance and Development Division**

**2022 APPRAISAL MANUAL**

**APPRAISER QUALIFICATIONS**

Appraisers must:

- (a) be a State Certified General appraiser by the Georgia Real Estate Appraiser's Board (and meet continuing education requirements);
- (b) have five (5) years multifamily property appraisal experience. Three years must include affordable housing (combination of 4% and 9% tax credit properties); and
- (c) demonstrate competency, expertise, independence, and the ability to render a high quality written report. Experience and educational background will provide general basis for competency.

Appraisers will not be excluded from consideration solely by virtue of membership or lack of membership in any particular appraisal organization.

Appraisals must include a certification that they meet the requirements in (b) above.

**APPRAISAL RULES AND GUIDELINES**

Appraisal reports must:

- (a) be presented in narrative or other approved format appropriate for the transaction as approved by DCA;
- (b) have a scope in proportion to the complexity of the property and the report's intended use;
- (c) conform to the 2021-2022 Uniform Standards of Professional Appraisal Practice (USPAP);
- (d) be identified as a "Self-contained" appraisal report;
- (e) lead the reader to the same or similar conclusions reached by the appraiser and result in a creditable appraisal;
- (f) identify DCA as an intended user;
- (g) conform to Title XI Regulations and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

**VALUE ESTIMATES**

Appraisal reports must include:

- (a) As Is market value (a land value is always required; separate values for land and improvements if subject is an improved property);
- (b) Prospective Market Value upon Stabilization/ Complete<sup>1</sup>– Restricted Rents<sup>2</sup>;
- (c) Prospective Market Value upon Stabilization/ Complete – Market Rents;
- (d) Analysis of Ground Lease<sup>3</sup> (if applicable)

---

<sup>1</sup> Appraiser must state date of stabilization and estimated absorption period to achieve stabilized occupancy. Absorption must be supported by lease-up of new properties. If new construction does not exist in the subject's market, absorption of similar properties in similar markets may be substituted.

<sup>2</sup> Prospective Market Value Upon Stabilization – Restricted Rents should include renovation if the property is to be rehabbed.

<sup>3</sup> For ground leases, the leased fee interest is held by the landowner and the leasehold interest is held by the lessee. Appraisals must include the value of the leased fee interest or leasehold interest (as applicable) as well as the value of the fee simple interest.

Properties with HUD funds provided by DCA in the form of a loan or grant (HOME, NHTF, CDBG, TCAP): include a Prospective Market Value at Loan Maturity<sup>4</sup>– Market Rents

Renovations: appraisals must include a scope of repairs consistent with renovations submitted in the core application.

Hypothetical conditions and extraordinary assumptions are not typically allowed for the As Is Value. However, DCA will allow the As Is Value to be based on increased rents (effective by closing) in a HAP contract as long as the applicant includes the following:

- (1) copy of submission to HUD requesting the rent increase
- (2) comfort letter or approval from HUD.
- (3) Copy of Rent Comparability Study (RCS)

The appraisal must include a copy of the request to HUD for the increase in the HAP contract rents.

For HUD RAD deals: the appraiser should use standard appraisal methodology, to use the greater of the appraised value assuming market rents or CHAP rents when determining the As Is value of the existing property.

Land values are required for all appraisals except when a ground lease will be in place and the rent will be a nominal amount of \$100 or less. If there is an upfront payment, the land value will be required.

Identity of Interest between the buyer and seller for 9% application submissions: DCA policy requires that the Applicant obtain an appraisal of the value of a property if there is an Identity of Interest between the buyer and the seller. This includes a seller that is a member of the proposed Project Team, including a limited partner.

Scattered site projects: an appraisal establishing “as-is” value will be required for each non-contiguous parcel and will be appraised as one single development. There shall be no more than six (6) non-contiguous parcels within a ½ mile radius and a minimum of four (4) residential units per parcel, except for parcels on which the community center is located.

## **APPRAISAL CONTENTS**

An appraisal must follow a logical progression and include, at a minimum, the following items:

### ***Title Page***

Include identification of property; property address and/or location; housing type; DCA addressed as the client (or DCA included as an intended user); effective date of value estimate(s); date of report; name and address of person authorizing report; name, address, and contact information of appraiser(s). The effective date is considered the date of inspection and must be within six months of application submission.

### ***Letter of Transmittal***

Include date of letter; property address and/or location; description of property type; special

---

<sup>4</sup> Value of the property upon maturity of the first mortgage. An explanation of the reasonableness of the methodology utilized to derive this value is required, as well as any illustrative spreadsheets.

assumptions or limiting conditions (extraordinary/hypothetical<sup>5</sup>) that were approved by person authorizing the assignment; statement as to function of the report; statement of property interest being appraised; statement as to appraisal process (complete or limited); statement as to reporting option (self-contained, summary or restricted); appraisal (e.g., type of process - complete or limited; type of report - self-contained, summary). A restricted appraisal is allowed only if engaged by DCA; statement that the appraisal is assignable to other lenders or participants in the transaction; effective date of appraisal; date of property inspection; identification of type(s) of value(s) estimated (e.g., fee simple value, leased fee value, leasehold value, as applicable.); Intended User.

### ***Table of Contents***

Number the exhibits included with the report for easy reference.

### ***Certification***

Appraisal must be designed in accordance with USPAP and applicable federal regulations, whichever is more stringent; be signed by each appraiser contributing to the analysis and valuation of the property. If more than one party signs a certification, the document must clearly indicate the extent to which the appraiser(s) contributed to the analysis and investigation of the property.

### ***Assumptions and Limiting Conditions***

Include a summary of all assumptions, both general and specific, made by the appraiser(s) concerning the property being appraised.

### ***Disclosure of Competency***

Include appraiser's qualifications, detailing education and experience.

### ***Identification of the Property***

Provide a statement to acquaint the reader with the property. Real estate being appraised must be fully identified and described by street address, tax assessor's parcel number(s), and development characteristics. Include a full, complete, legible, and concise legal description and/or survey.

### ***Statement of Ownership of the Subject Property<sup>6</sup>***

The appraiser must analyze all agreements of sale, options, and listings of the subject property current as of the effective date of the appraisal and analyze all sales of the subject property that occurred within three years prior to the effective date of the appraisal.

### ***Property Rights Appraised***

Include a statement as to the property rights (e.g., fee simple interest, leased fee interest, leasehold, etc.) being considered. The appropriate interest must be defined in terms of current appraisal terminology with the source cited.

### ***Definition of Value Premise***

One or more types of value<sup>7</sup> (e.g., "as is", "prospective market value upon achieving stabilized occupancy") may be required. Definitions corresponding to the appropriate value must be

---

<sup>5</sup> Extraordinary Assumption: an assignment specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Hypothetical Condition: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

<sup>6</sup> Subject to USPAP Standards.

<sup>7</sup> Uniform Standards of Professional Appraisal Practice (USPAP).

included with the source cited.

### ***Scope of the Appraisal***

The type and extent of research and analyses in an appraisal or appraisal review assignment.

### ***Neighborhood Data***

Provide a specific description of the subject's geographical location and specific demographic data and an analysis of the neighborhood. A summary of the neighborhood trends, future development, and economic viability of the specific area must be addressed. A map with the neighborhood boundaries and the subject identified must be included.

### ***Site/Improvement Description***

Discuss the following site characteristics:

#### Physical Site Characteristics

Describe dimensions, size (square footage, acreage, etc.), shape, topography, corner influence, frontage, access, ingress-egress, utilities associated with the site. Include a plat map and/or survey.

#### Floodplain

Discuss floodplain (including flood map panel number) and include a floodplain map with the subject clearly identified.

#### Zoning

Report the current zoning and description of the zoning restrictions and/or deed restrictions, where applicable, type of development permitted, any probability of changes. Include a statement as to whether the improvements conform to the current zoning and improvements could be rebuilt if damaged or destroyed. Proposed zoning changes must be addressed. An excerpt from the zoning ordinance regarding the subject's allowable uses must be included.

#### Description of Improvements

Provide a thorough description and analysis of the proposed improvements including size (net rentable area, gross building area, etc.), number of stories, unit mix, number of buildings, type/quality of construction, condition, actual age, effective age, exterior and interior amenities, items of deferred maintenance, etc. (If the property is existing, provide a description of the improvements currently existing). All applicable forms of depreciation must be addressed along with the remaining economic life. Identify architectural plans, including the date and engineer, and include in the report. Floor plans of the proposed improvements must be included in the report. If the proposed improvements per plans and specifications or any other source differ from the application provided by DCA, the appraiser must notify the lender immediately for clarification before proceeding with the appraisal assignment.

#### Fair Housing

The report must disclose any potential violations of the Fair Housing Act of 1988, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990 and/or report any accommodations (e.g., wheelchair ramps, handicap parking spaces, etc.) which have been performed to the property or may need to be performed.

#### Environmental Hazards

The report must disclose any potential environmental hazards (e.g., discolored vegetation, oil residue, asbestos-containing materials, lead-based paint etc.) noted during the inspection. If the appraiser discovers any potential environmental problems that may be unknown to the lender, the appraiser shall notify the lender immediately and cease work on the appraisal unless

instructed otherwise.

### Highest and Best Use

A market analysis and feasibility study is required as part of the highest and best use. The highest and best use analysis must:

Inform the reader of any positive or negative market trends which could influence the value of the appraised property. Detailed data must be included to support the appraiser's estimate of stabilized income, absorption, and occupancy; must contain a separate analysis "as if vacant" and "as improved" (or "as proposed to be improved/renovated"). All four elements in appropriate order (legally permissible, physically possible, feasible, and maximally productive) must be sequentially considered; include a supply and demand analysis if applicable.

The appraiser must perform an independent analysis of the market and rent comparables and *shall not* rely solely on the Market Study provided as market conditions may vary from the date of the market study to the effective date of the appraisal report.

## **APPRAISAL PROCESS**

The *Cost Approach*, *Sales Comparison Approach*, and *Income Approach* are three recognized appraisal approaches to valuing most properties. It is mandatory that all three approaches be considered in valuing the property unless specifically instructed by DCA to ignore one or more of the approaches; or unless reasonable appraisers would agree that use of an approach is not applicable. If an approach is not applicable to a particular property, then omission of such approach must be fully and adequately explained. If the Cost Approach is omitted, the land value is required.

An adjustment grid demonstrating the appraisal process must be included (i.e., land comparables, sales comparables, and rent comparables).

### ***Cost Approach***

This approach must give a clear and concise estimate of the cost to construct the subject improvements. The type of cost (reproduction or replacement) and source(s) of the cost data must be reported. Cost information may be obtained from Marshall & Swift Valuation Service or similar publications. The section, class, page, etc. must be referenced. All soft costs and entrepreneurial profit must be addressed and documented.

All applicable forms of depreciation must be discussed and analyzed. Such discussion must be consistent with the description of the improvements analysis. The land value estimate must include:

A sufficient number of sales which are current, comparable, and similar to the subject in terms of highest and best use; comparable sales information must include address and/or legal description, tax assessor's parcel number(s), sales price, date of sale, grantor, grantee, and adequate description of property transferred; the final value estimate should fall within the adjusted value ranges; the appraisal must identify if there is excess land and the quantity of the excess land. Excess land must not be part of the land value as tax credit funds are only for the subject property.

Consideration and appropriate adjustments to the following comparable sales prices must be made when applicable:

Property rights conveyed; financing terms; conditions of sale; location; highest and best use; physical characteristics (e.g., topography, size, shape, flood plain, utilities, etc.); other characteristics (e.g., existing/proposed entitlements, special assessments, etc.).

In deriving a land value, the appraiser must not adjust the value based on demolition costs. The As Is Value assumes there are no improvements on the property and therefore no deductions made.

### ***Sales Comparison Approach***

This section must contain an adequate number of sales to provide the reader with the current market conditions concerning this property type. Sales data should be recent and specific for the property type being appraised. The sales must be confirmed with buyer, seller, or an individual knowledgeable of the transaction.

Minimum content of the sales must include:

an address, legal description, tax assessor's parcel number(s); sale price, financing considerations, and adjustment for cash equivalency; date of sale, recordation of the instrument; grantor/grantee; type of construction, year built and/or renovated, unit mix, land area, number of stories (for vacant land, include density limits, if applicable); occupancy; amenities; complete description of the property and property rights conveyed; discussion of marketing time; map clearly identifying the subject and photos of the comparable sales.

### **Sale Price/Unit of Comparison**

The analysis of the sale comparables must identify, relate and evaluate the individual adjustments applicable for property rights, terms of sale, conditions of sale, market conditions, and physical features. Sufficient narrative analysis must be included to permit the reader to understand the direction and magnitude of the individual adjustments, as well as a unit of comparison value indicator for each comparable. The appraiser(s) reasoning and thought process must be explained.

### **Potential Gross Income/Effective Gross Income Analysis**

If used in the report, this method of analysis must clearly indicate the income statistics for the comparables. Consistency in the method for which such economically statistical data was derived must be applied throughout the analysis. At least one other method must accompany this method of analysis.

### **NOI/Unit of Comparison**

If used in the report, the net operating income statistics for the comparables must be calculated in the same manner and disclosed as such. It must be disclosed if reserves for replacement have been included in this method of analysis.

### ***Income Approach***

This section is to contain an analysis of both the actual historical and projected income and expense aspects of the subject property.

### **Market Rent Estimate/Comparable Rental Analysis**

This section of the report must include an adequate number of actual market transactions to inform the reader of current market conditions concerning rental units. The comparables must indicate current research for this specific property type. The rental comparables must be confirmed with the landlord or Management Representative or agent and individual data sheets must be included. The minimum content of the individual data sheets must include:

Property address; lease terms; description of the property (e.g., year built, unit type, unit size, unit mix, interior amenities (including washer/dryer connections), exterior amenities, etc.); physical characteristics of the property (including but not limited to type of construction, number of stories, condition of property, renovation improvements, if applicable); utilities furnished by landlord; occupancy levels; absorption, if applicable; turnover; concessions; identification as to Conventional or Affordable Housing Development; identification as to Senior (Elderly or HFOP) or Family Development; name and telephone number of contact person at rent comparable.

Analysis of the Comparable Rents must be sufficiently detailed to permit the reader to understand the appraiser's logic and rationale. Adjustment for lease rights, condition of the lease, location, physical characteristics of the property, etc. must be considered as applicable. A location map showing the rent comparables in comparison with the subject must be included.

#### Comparison of Market Rent to Contract Rent

Actual income for the subject along with the owner's current budget projections must be reported, summarized and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions must be made.

The contract rents must be compared to the market-derived rents. A determination must be made as to whether the contract rents are below, equal to, or in excess of market rates. If there is a difference, its impact on value must be qualified.

#### Vacancy/Collection Loss

Historical occupancy data for the subject (if applicable) must be reported and compared to occupancy data from the rental comparables and overall occupancy data for the subject's market area. Consideration for credit loss must also be considered.

#### Expense Analysis

Actual expenses for the subject (if applicable), along with the owner's projected budget, must be reported, summarized, and analyzed. A copy of the actual operating statements analyzed must be included in the appendix. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions must be made.

Expense comparables of three similar properties are required. The identity of the expense comparables may be identified as confidential but must be available if requested. Historical expenses of published survey data (e.g., IREM, BOMA, etc.) may also be considered but must be supported by expense comparables. Any

expense differences must be reconciled. The following expenses must be considered:

Management Salaries (full time or part time); maintenance Salaries (full time or part time); other Employees Salaries (full time or part time); employee benefits; office supplies; telephone; travel; leased furniture; support services; legal; accounting; advertising; contract repairs; general repairs; grounds maintenance; extermination; maintenance supplies; elevator maintenance; redecorating; water expenses paid by landlord; sewer expenses paid by landlord; electricity expenses paid by landlord; gas expenses paid by landlord; common area utilities (water, sewer, electricity, gas); trash collection; real estate taxes (consider tax freeze if applicable); insurance premiums; special assessments; security staff or security system; management fee; reserves.

Historical data regarding the subject's assessment and tax rates must be included. Three tax comparables are required in which the land and improvements are separated and the analysis used to derive estimated taxes for the subject must be included. A tax plat of the subject property must also be included in the report.

#### Capitalization

Several capitalization methods may be utilized in the Income Approach. The appraiser must present the method(s) reflective of the subject market and explain the omission of any method not considered in the report. The appraiser must provide support for the selection of the capitalization rate.

##### Direct Capitalization

A capitalization rate is used in the Direct Capitalization method. It is used to convert an estimate of a single year's income expectancy or an annual average of several years' income expectations into an indication of value in one step by dividing the income estimate by the rate. The rate is typically derived from the market analysis or through other quantitative methods.

The primary method of deriving an overall rate (OAR) is through market extraction. If a band of investment or mortgage equity technique is utilized, the assumptions must be fully disclosed and discussed.

##### Yield Capitalization (Discounted Cash Flow Analysis)

This method of analysis must include a detailed and supportive discussion of the projected holding/investment period, income and income growth projections, occupancy projections, expense and expense growth projections, reversionary value and support for the discount rate.

#### ***Reconciliation and Final Value Estimate***

This section of the report must summarize the approaches and values that were utilized in the appraisal. An explanation must be included for any approach which was not included. Such explanations must lead the reader to the same or similar conclusion of value. Although the values for each approach may not "agree", the differences in values must be analyzed and discussed.

Other values or interests appraised must be clearly labeled and segregated. Such values may include FF&E, leasehold interest, excess land, etc.

***Photographs***

Provide good quality color photographs of the subject property (front, rear, and side elevations, on-site amenities, interior of typical units if available). Photographs must be properly labeled.

Photographs of the rent and sales comparables must be included.

***Additional Appraisal Concerns***

The appraiser(s) must recognize and be aware of the particular program rules and guidelines applicable to affordable housing and their relationship to the subject's value. Due to the various programs offered by the Department, various conditions may be placed on the subject that would impact value. Furthermore, each program may require that the appraiser apply a different set of specific definitions for the conclusions of value to be provided. Consequently, as a result of such criteria, the appraiser(s) must be aware of such conditions and definitions and clearly identify them in the report.