

Real Property Tool Kit Articles

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Application of Critical Thinking Skills Reasoning and the Real Property Appraiser

Part 1

The last series of the Tool Kit articles focused on techniques offered by Kevin Lynch to assist planners in understanding and evaluating the external environment. The tools and techniques provide a systematic approach for ordering thought and can assist appraisers in developing opinions and recommendations. Thinking or reasoning in terms of paths, districts, nodes, landmarks and edges assists in connecting human behavior with the valuation process.

Appraisal of property can develop into a repetitive process where developing opinions of value may become a form of mechanical process. Little attention may be given to the application of appraisal principles. Filling in the boxes in the form report or using standard language in a repetitive process. However, markets change and properties are all different to varying degrees. Each new assignment may present problems where critical thinking skills are required to competently perform the appraisal assignment. Standards Rule 1 in the Uniform Standards of Professional Appraisal Practice states “In developing a real property appraisal, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete the research and analysis necessary to produce a credible appraisal.” To be able to produce a credible appraisal the appraiser must employ critical thinking skills.

Critical thinking skills require both objective judgment and application of standards. Standards Rule 1-1 states that the appraiser must “be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal.” Critical thinking includes the use of objective judgment and standards. Objective judgment implies the consideration of both merits and faults. To distinguish what information is relevant or irrelevant.

To make sense of appraisal problems we must develop conclusions, opinions and recommendations based on reasons. Appraiser must develop a framework for reasoning that produces meaningful results, to make sense out of the purpose of assignments and to solve or answer questions.

The Foundation for Critical Thinking publishes “The Thinker’s Guide to Analytical Thinking.” The publication provides an eight item checklist for reasoning. Future Tool Kit articles will identify the eight items and apply them to valuation practices.

Eminent domain assignments represent some of the more complex or at least the most contentious assignments where reasoning is put to test. In an eminent domain case a public agency planned on widening a road to improve safety for the traveling public. The project required a strip acquisition along the frontage of a rural residential site that is improved with a single family dwelling. The residential structure had a substantial setback in the before and after condition. Initial negotiations were not successful. Prior to scheduling a trial date the public agency and condemnee agree to attempt to resolve differences through mediation.

Mediations often begin with the parties meeting together initially and then going to separate rooms. The mediator goes back and forth to the parties. This allows the individuals to discuss privately while the mediator works to develop an agreement. In this case the owner and his attorney retained an appraiser to attend the mediation conference. This appraiser postulated that the most valuable portion of the site was the frontage. Therefore, the agency should pay a greater amount for the acquisition.

Reasoning would indicate that there would be a new frontage in the after condition and market participants do not necessarily say they pay more for the frontage. The comment to the negotiator was that this appraiser was not consistent with peer standards and proposing unsupported theory. The mediator, who had substantial litigation experience, indicated that it did not matter. Typical juries would probably not have the knowledge and background to understand appraisal principles and practices. The public agencies usually have a higher standard of proof.

The authors of the Thinker's Guide text list eight items in "A Checklist for Reasoning." Item number seven states "All reasoning contains INFERENCES OR INTERPRETATIONS by which we draw CONCLUSIONS and give meaning to data. The text further indicates:

"Identify key concepts and explain them clearly"

"Check inferences for their consistency with each other."

"Identify assumptions underlying your inferences."

One possible technique to more effectively present a valuation conclusion is to educate the intended users of the appraisal service. In this case a jury. The problem is to argue that the most valuable is not along the frontage.

It can be argued that the purpose of the site is to support a single-family resident. Therefore, the most important part of the site is where the residence is located considering all of the positive aspects of the site.

Inferences can be developed. Privacy is an essential aspect of residential properties. Buyers of rural residential properties put a premium on privacy. Front yard represents

the public space of the site that leads to the residence. Therefore, front yards generally have the least amount of privacy. Rear yards are typically where most of the outside activities occur. Rear yards usually are removed from visitors and the public in general. Therefore, rear yards generally provide greater privacy. Therefore, market participants put a high premium on the rear yards. For dog lovers, ask where do you keep your dog(s)?