

Land/Site Analysis—Part 1  
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This Tool Kit article is the first in a series on land/site analysis. While most appraisal textbooks cover land/site analysis, this series will present items that represent possible pitfalls and different approaches.

Analysis of land/site consists of a systematic approach that considers factual information on the land and improvements. The analysis should consider public and private restrictions, physical characteristics, and neighborhood characteristics. The analysis should focus on those items that directly relate to the utility and marketability of the subject property. A comparison to competitive properties is an essential consideration. Depending on the type of property, there are common pitfalls that should be specifically considered in the analysis. For example, a floor area ratio is a significant factor for commercial and industrial properties. Allowable number of units would be a primary consideration for residential properties.

Public restrictions represent a major consideration in the analysis. Such restrictions, such as zoning, can vary significantly among individual governmental jurisdictions. This includes, for example, height limitations, building setbacks, number of allowable units/intensity of use, and parking. There are also discretionary regulations that should be considered if proposed uses require more than an administrative decision based on specific regulations such as a building permit and desk review of the plans. Discretionary regulations typically involve proposed projects that must be reviewed in a public forum, and approval is conditioned based on the specific circumstances. Development approval can include onsite and offsite conditions. Public review and comment may be by an administrative process or public hearing. In the development of a prospective assignment, the appraiser may be required to estimate what conditions might be reasonably required based on the specific property conditions and past decisions on similar properties. Planning reports often contain a set of specific findings that provide underlying principles for the decision-making process. Findings help summarize the planning report reasoning and analysis. Therefore, the appraiser can use the findings in an appraisal analysis to add credibility. Depending on the specific facts, the appraiser may be required to use hypothetical conditions or extraordinary assumptions.

Consider an assignment where an appraiser is to develop an opinion of market value of a residentially zoned parcel where a number of units would be allowed. Determining possible number of units should include whether the local government agency calculates density based on gross or net parcel area. The number of units may be based on the area before or after street dedications. Existing easements, whether public or private, may be a factor in estimating the possible allowable units.

Multi-family zoning typically will indicate the maximum density allowed by indicating the units on a square-foot basis. As an example, the regulation indicates that one unit is allowed for each 4,000 sq. ft. of parcel area. To estimate allowable densities, the appraiser would make a simple calculation. Often, the calculation will produce a fraction

such as 6.25 units. In such cases, the appraiser should ascertain if a fraction is rounded up or down.

In order to competently perform an appraisal, the scope of work may require a discussion with municipal planning staff that goes beyond “front-counter” information. Such a discussion should be conducted to determine past property history and details on similar projects that have been approved with similar zoning. This may require scheduling time to review planning files and meet with senior staff.