

# Residential Highest and Best Use: Practical Application

4 hrs Course

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## Class Outline

This 4-hour class is a review of the basic principles, methodology, and application of highest and best use analysis for residential appraisal assignments. Upon successful completion, students will have a general understanding of how to correctly analyze and report the as-vacant and as-improved highest and best use conclusions in their appraisals. Special attention will be paid to the necessity of supplementing the current GSE residential reporting forms in order to meet the Uniform Standards of Professional Appraisal Practice's (USPAP) 2-2(a) reporting standards.

### 1) Introduction (20 min)

- a) Instructor introduction
- b) Outline of presentation
- c) Discuss Competency Rule; SR1-3(b) *developing H&BU for market value assignments*; SR2-2(a)(x) *reporting H&BU conclusions in the appraisal*
- d) Discuss Advisory Opinion 11 (AO-11) *appraisal report must summarize H&BU conclusions*

### 2) Discuss the main components of highest and best use (60 min)

- a) Highest and best use definition
- b) Highest and best use of the site as though vacant
- c) Highest and best use of the site as improved
- d) Principle of consistent use
- e) The four tests-
  - i) Legally permissible
  - ii) Physically possible
  - iii) Financially feasible
  - iv) Maximum productivity

### 3) Break (10 min)

**4) Special Considerations (20 min)**

- a) Interim Use
- b) Legal, non-conforming use
- c) Excess / Surplus land
- d) Multiple uses / Transitional uses

**5) Practical Application (70 min)**

- a) 2 units on one site: Duplex or SFR with accessory unit?
- b) SFR on large lot: Xccess or surplus land?
- c) SFR with significant deferred maintenance: Tear down or renovation project?

**6) Break (10 Min)**

**8) Writing a H&BU Summary (30 min)**

- a) As-vacant summary
- b) As-improved summary
- c) Identifying the likely buyer/buyer pool in the summary

**7) Discussion and Questions (20 min)**