

Planning Considerations in the Highest and Best Use Analysis

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As appraiser/analysts, we are called upon to provide opinions and recommendations based on our professional judgement. Such judgements must be developed only after an analysis of pertinent information so that logical conclusions can be drawn. Most often our assignments require monetary value conclusions, such as the worth of property to equity yield rates of various development options. Unfortunately, we may rely too much on dollar values and fail to exercise our subjective skills. Number crunching is necessary, but we cannot always depend on the numbers when political factors that are associated with the planning process enter the picture. This is particularly true when we need to determine the highest and best use of property and there are political or other non-monetary considerations involved.

The complexity of determining the highest and best use of any given property can vary significantly. For

example, a vacant single-family, zoned lot situated in a single-family neighborhood typically does not require as complex an analysis as a vacant commercial site where there are more use options to consider. Right-of-way appraisal assignments also require special consideration since many tasks involve vacant land that is situated in the path of urban development. Whatever the type of assignment, the complexity of the appraisal problem can increase significantly when the highest and best use study indicates that the appropriate use in monetary terms is not permissible under the current zoning. The question the appraiser/analyst must confront is how can the problem of uncertainty be properly addressed within professional parameters? While the answer can ultimately be derived through the zone change process, the appraiser/analyst does not have the benefit of time nor circumstance to apply for a zone change.

While political uncertainties cannot be eliminated, we can borrow techniques used by planners to evaluate zone change requests. Planners and appraiser/analysts have overlapping functions and share many ana-

lytical tools. A well-prepared planning report addresses the social, economic, legal, political and physical considerations that an appraiser/analyst should consider in preparing a valuation report. Appraisal reports use value conclusions; planners use findings of fact to develop recommendations. Such findings are uncovered in response to professional and legal issues. When a particular appraisal problem warrants their use, the findings format can aid the appraiser/analyst. The findings format, when used properly, can be used effectively in eminent domain and expert witness assignments. The following is a summary of the findings format:

Finding No. 1—The site is/is not suitable for the uses allowed by the zone. The issue of suitability should not only focus on the proposed use but all alternative uses allowed by the particular zone. While appraisers may ultimately look at one particular use, planners must consider all uses allowed in the zone for analysis purposes.

Finding No. 2—The uses allowed in the zone are/are not compatible with the surrounding uses. Compatibility can not only determine whether or not

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a nuisance conflict will occur, but also whether or not the surrounding uses would function well with the proposed use of the subject property. As with finding No. 1, planners will consider all uses allowed in the zone for analysis purposes.

Finding No. 3—The zone change is/ is not in conformity with the general plan. Conformity with the general plan will be a primary indicator of whether a zone change would be approved. Plans consist of maps and diagrams as well as textual policy statements. Interpreting plans requires specialized knowledge and experience. It is essential that the appraiser/analyst study the plan in question in detail to develop a sound understanding of the issues and programs as defined by the plan. Professional planning services may be required on the more complex problems. Some states such as California have enabling laws requiring that actions by cities and counties be consistent with their respective general plans. General plans can be amended; however, the process to do so is more complicated than a change in zoning.

Finding No. 4—There has/has not been sufficient change in conditions since the existing zone became effective to warrant a change in zone. At one point in time, the local government zoned the subject property. Determining the primary reason for the establishment of the existing zoning is an important consideration in the analysis. While this information may not be readily available or difficult to obtain, reasonable effort should be made. If such information is not available, assumptions and opinions from the planners can prove useful. Conditions that warrant a change in zoning can include population changes, economic and social conditions in addition to public works projects that improve services. For example, improved access as a result of a road project can be an important consideration if traffic con-


gestion is an issue.

Finding No. 5—The proposed zone change will/will not be in the interest or furtherance of public health, safety, convenience and general welfare. Such considerations could include providing retail services where demand exceeds supply, increasing housing opportunities, or providing incentive by the private sector for increased employment opportunities.

Findings should be adequately detailed to develop a sound understanding by the client. Just stating the finding is not sufficient. For example, a statement in finding No. 1 should discuss whether the parcel is of adequate size and shape to accommodate the proposed use. Parking standards, building set backs and other development standards should be

evaluated.

One of the major differences between planning and appraising is that planners must consider legal precedents and the issue of reasonable use rather than the use that creates the greatest return to the land. Planning is, by its nature more concerned with the efficiencies, and environmental and legal issues of land use patterns. Even though planning issues overlap value considerations, they are by definition more comprehensive in their analysis of zoning issues.

Findings can be an aid to the appraiser/analyst, there is no substitute for acquiring a working knowledge of the principles and practices of the planning profession. 



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