REMARKS OF UNDER SECRETARY OF THE INTERIOR JOHN A. CARVER, JR.,
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Last month President Johnson told the Congress that "the spiraling cost of land acquisitions by the Federal Government, particularly for water resource and recreational purposes, is a matter of increasing concern."

"Land owners", he went on, "whose property is acquired by the Federal Government are, of course, entitled to just compensation as provided by the Constitution. At the same time, land for the use of the general public should not be burdened with the increased price resulting from speculative activities.

"I have requested the Director of the Bureau of the Budget, together with the Attorney General, the Secretary of the Interior, and the heads of the other agencies principally concerned, to
investigate procedures for protecting the Government against such artificial price spirals."

Both professional appraisers and government administrators respond to these Presidential words. Particularly for appraisers the key phrases are based on the unspoken assumption of the existence of a disciplined system of ascribing dollar figures to nonmonetary values. It is also an assumption that this appraisal skill can be fairly applied in the governmental process.

Many values other than land values have to be appraised. But the volume of governmental land transactions as well as the trend of real estate values reflects the fact that the supply of land is inelastic, a closed vessel. Nations, or cities no longer can solve their problems simply by reaching farther out.

Furthermore, the complexity of government itself is well illustrated by the proliferation of rules
governing the use of land, all of which one way or another affect its value.

Over the years the Federal Government has achieved considerable experience in straightforward land acquisition. For military purposes, for road rights of way, for reservoirs, and for sites for all its various activities, the Federal Government is the greatest land buyer of them all.

But all its experience has not prepared it for some of the newer problems associated with land in cities, like urban renewal, or land for aesthetic or recreational purposes in already developed areas, or for the concept of "scenic easements." These are new. Problems with them are reflected in the Presidential message of February 23.

The Federal Government is also in the disposition business. Some dispositions are not
dissimilar to private dispositions, and the Federal Government wanting to sell a military reservation it no longer needs is in the same position as a company trying to recover what it can from a no longer needed plant site.

Other dispositions are in a different category, particularly those which include social objectives of one kind or another. Public lands can be sold to certain public bodies at some fraction of fair value; public lands can be traded to support other Federal program objectives; certain types of private citizens have preferences of one kind or another.

Resources like timber, forage, minerals, are sold to private purchasers under specified rules, some providing for competition, others specifically on "fair value" or Secretarially appraised values.

And the Federal Government has to keep
records, often on a dollars-and-cents basis of resources which it has no intention of disposing of.

Myriad special responsibilities bring into play the process of fixing a value, in money terms, on leaseholds, possibilities of reverter, easements, remainders, etc., etc.

As a land and resource-managing agency, we must utilize the appraisal function. We hire appraisers, and we contract with appraisers. We train appraisers. We use qualified and trained appraisers to advise us in various situations exactly as we would use an economist--indeed, I suppose an appraiser is an economist.

Most of these situations present no particular difficulties. We've been doing these things for a long time, and have muddled through.

But obviously everything can't be right if
the President has to speak to the question. For the President wasn't simply decrying land value inflation, nor even land speculation as such. What he was talking about, among other things, were these problems:

- How do we assure that the act of creating a park does not, itself, create a value escalation which renders all the estimates of cost meaningless. We estimated that Point Reyes would cost fifteen or sixteen million, and this figure was included in the authorization. We've spent it all and need twice that much again. What went wrong?

- In Puerto Rico, a government agency, Fomento, has the power to prevent speculation in land at industrial sites by zoning-type orders. Why can't the Federal Government do likewise in the case of a new park or similar project?

- Does the Federal Government really need
the fee interest, when its needs will be served only by assuring that certain types of development don't take place? And the correlative question, how do you value this type of interest?

These questions are baffling and challenging ones, and ones which I'm convinced the appraisal profession can help greatly with.

Dr. Ratliff of Wisconsin has suggested a thought which strikes home to me with reference to the process of telling Chairman Aspinall and his colleagues what we think the land acquisition in a new park will cost. He says appraisal is economic forecasting.

He develops as one value concept the predicted price with a probability dimension. In asking the Congress to authorize a park, if we give the Congress the current value of the land which would be included, all
duly appraised by competent appraisers, we've not really given a useful figure. Particularly is this so if it is possible for us to get a predicted price which will reflect what we know from experience to be the probable time which will elapse between first discussion and authorization, the virtual certainty that land acquisition will be phased over a number of years, and the likelihood that the creation of the park itself will create new values.

So that is my first point—that we ought to expand the horizon of the appraisal function to narrow this gap between predicted cost and actual cost at the outset, if it is possible to do so with accepted techniques. Some of these techniques may as yet be undeveloped, but there is a need for the process.

Having opened by challenging the profession, let me turn my attention to the peculiarities of the
government's way of doing business, and a plea for you to try to understand it.

The public's business must be conducted in public, and it must be sustained by a record. One important aspect of the record of any transaction which involves the disposition of government property is the process of appraisal.

For reasons which are peculiarly governmental, therefore, appraisers are asked to do things in government or for government which don't match outside experience at all.

Indeed, the values you are asked to arrive at will occasionally seemingly fly directly in the face of common understanding.

In the West, for example, "rights" under the Taylor Grazing Act have value in the private market, generally capitalized in the base ranch to which the permits are appurtenant. But if the government
acquires the ranch, it cannot bring itself to pay for privileges which it itself has granted without consideration to it.

So a rancher who buys a ranch on the commercial market, after prudently seeking an appraisal by a competent appraiser, may find himself involuntarily selling to a government bound by an entirely different set of rules. He finds it disquieting.

Congress has provided that such a result will not prevail if a military agency is the purchaser.

Other differences could be enumerated, such as the retroactive or retrospective appraisal problem which government administrators have to seek from time to time. Both administrators and appraisers have been restless when, as sometimes happens, a buyer and seller whose minds have met on price find the transaction undone because values have appreciated.
while necessary paper work necessary to close a deal has proceeded.

And government administrators like reassurance, the more the better. If a sale starts with an appraisal, as it so often must because the appraised price is the statutory floor, we feel better if the auction brings more than the appraisal. The more the premium, the better we feel, up to a point.

Such an attitude discloses a lack of real confidence in appraisal, and certainly a lack of understanding about how to evaluate the process. In other situations, the reverse attitude dominates. As a hypothetical situation, suppose the Bureau of Sport Fisheries has two potential hatchery sites, equally suitable, one appraised at $50,000, the other at $100,000. If the owner of the cheaper one asks $75,000, the administrator will surely refuse because to go above an appraisal is
to commit a serious act, often contrary to specific regulation. He can buy the second tract, however, with no misgivings. Although no better for his purposes than the first, and although the government's cost is $25,000 higher than the satisfactory alternative, still he's stayed within the rules.

Clearly the appraiser bears no blame, nor can the administrator be faulted. I'm not even sure the system is wrong. But a gnawing doubt remains--is it our job to keep a seller from being enriched, or to see that our programs go forward on the most economical basis?

Five years' experience in interior has presented me with many of these ambiguous situations.

If the appraiser and the administrator are not on the same wavelength, the administrator loses a valuable and trustworthy adviser, and the appraiser
withdraws into a shell. The administrator ought to explain what constraints affect him just as the appraiser ought to set forth all the considerations taken into account by him. Good communication can be of great benefit to each.

Whether appraising for government is all that different or not, I'm in no position to state. I find it interesting, however, to generalize from my own experience about when government administrators use contract appraisers, and when they use in-house appraisers.

In Interior, at least, I think contract appraisers are virtually always engaged to appraise property we want to buy. And with equal firmness, we stick to our own appraisers to value the resources which we sell.

The other cut is horizontal--for routine
transaction we are more likely to use our own appraisers; for high value, or controversial transactions, we go outside.

The desirability to better training for our own people is evident, for I know of no skill more necessary to the administration of the public lands than appraisal. And I know of no governmental function which is so widely misunderstood, nor as to which there are such violent fluctuations in quality.

As administrators the lessons we should learn:

-- The capability and the limitation of the appraisal skill.

-- Its ethical constraints.

-- The importance of professional procedures, professional respect, professional responsibilities.

-- The ability to specify what we really want.