Appraisal Makes for a Healthy Debate

An article in the June issue of TCI Magazine *regarding tree appraisal (Consulting Forum: "The Importance of Tree Appraisal" by James Komen) garnered two letters of response, including one fairly long one. Those letters then drew a response from the author. Due to the healthy debate they offer and their length, rather than run them on the letters page, we opted to run the discussion here, as a true forum. – Editor*

Premature discussion of new *Guide for Plant Appraisal*

I'm writing in response to James Komen's article, "The Importance of Tree Appraisal," in the June 2016 issue of the *Tree Care Industry Magazine.*

I serve as Chair of the Council of Tree and Landscape Appraisers (CTLA) and am the representative of the American Society of Consulting Arborists. The opinions expressed by Mr. Komen in his article are entirely his own.

Mr. Komen is neither a member of CTLA nor has he participated in any meetings of the Council. He does not speak on the Council's behalf. In preparing his article, Mr. Komen did not seek the Council's input or review. His speculations about, and discussion of, proposed changes to the 9th edition of the *Guide for Plant Appraisal* are premature.

CTLA is actively preparing the 10th edition of the *Guide*. The Council will, at some point in the near future, release a draft manuscript for review. Members of TCIA will have the opportunity to comment on the draft. Any comments should be directed to TCIA's representative to CTLA, Tom Smiley.

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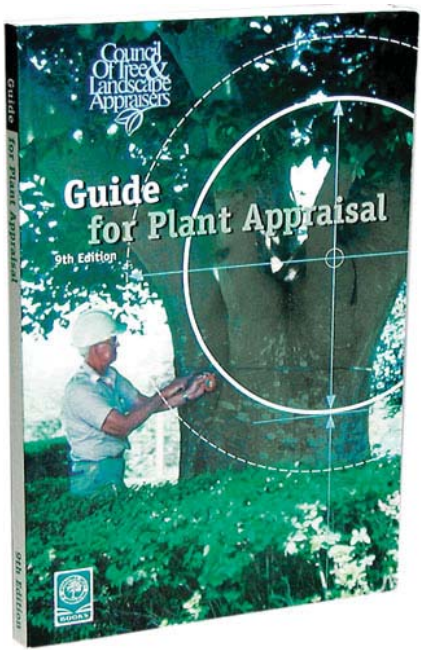

***Changes are coming for the next edition of the* Guide for Plant Appraisal.**

Tree appraisal article was a poor one

The recent article in *TCI Magazine* regarding tree appraisal (Consulting Forum: "The Importance of Tree Appraisal," June 2016) was a poor one. It was disappointing for two reasons. The author's (James Komen) main point is that all arborists should be aware of tree value because the (monetary) value of customers' trees is the justification of their profession. So it begins with an incorrect assumption about why customers want tree work and why professionals offer their services. The second longitudinal fissure I perceive is a misunderstanding on the part of the author as to how to instruct or guide an interested arborist in the correct way to think about appraisal.

The justification for most practicing arborists is a demand for tree services. There are property owners who either have trees or must contend with them, and they seek assistance from whatever part of the spectrum of service providers they deem most in their interest. There are certainly municipal and consulting arborists who concern themselves with planting, street-scaping, city planning, or appraisal and for whom the monetary value of trees is a consideration. But the vast majority of arboricultural work in this country is performed because of a human need or desire. For example, all utility line-clearance pruning is done because it must be done, not because the trees' value requires an expenditure. Tree removal is almost always motivated by fear of tree failure or because the trees stand in the way of some endeavor, and therefore the trees' value is not a consideration.

And tree-pruning services are not typically motivated by the value of the trees themselves but by the need to maintain the balance of the landscape. For example, people prune trees either for clearance to other trees, landscaping or structures. They prune trees to make the trees fit into the long-term landscape as intended by a planner. They prune trees to keep the trees from becoming dangerous. Even pruning that is intended to keep an individual tree healthy is, typically, motivated by the value of the landscape, which in turn is related to property value.

People do not invest in trees because there is value in the tree so much as they invest in trees in order to keep up their property. This is primarily because trees are fixed portions of the landscape and cannot be transferred. Take, for example, a large stone retaining wall. Just like trees, retaining walls are fixed and mostly unmovable, and provide a utility to human beings because of how they affect the landscape, which may make outdoor life more enjoyable and could be tenuously monetized only insofar as property value may be affected. Furthermore, people never spend money on maintaining their retaining wall because of the value of the wall, but because of either a need to maintain the wall, a desire to make the wall prettier or a fear that the wall may fall down. Wall value itself is not a factor.

That's not to say that people's love of trees and the utility that they derive from the trees is not important to consumers of tree services. Trees are natural organisms and they age well, and people clearly have an affinity for them. I am one such person. There's obviously nothing wrong with ethical professionals who provide services to care for people's plants, and there's nothing wrong with spending more on a tree, or a wall, than can be justified by property value alone. But arborists should understand that their customers are motivated by how the trees make them feel, not because they are trying to expend money based on a perceived value. This is true almost all the time.

But the article states, in the second paragraph, that the opposite is true, and that people are inherently motivated to care for their trees because of the trees' value. Furthermore, the article states that arborists who are aware of this will better understand the justification of their profession. As Komen progresses, he does refer to property value as a motivating factor for tree care consumers. But his article doesn't even mention the myriad ways a skilled appraiser balances and weighs his or her appraisal by taking into account property value. In fact, Komen focuses in like a razor on one small part of tree appraisal, which is the Trunk Formula Method, while the *Guide for Plant Appraisal* clearly states that the Income Approach, the Market Approach and the Cost Approach should all be considered as methods for doing an appraisal, and that the Trunk Formula Method is just one subsection of the Cost Approach.

While wrong, thus far Komen is at least avoiding unethical recommendations. But from there he goes on to offer further advice that is clearly unethical in nature. Without bothering to provide a framework that arborists should use when determining tree value, he proceeds to advise that, "once an appraisal has been prepared, (competing) values will be anchored around that value," insinuating that a higher value is in the better interest of the arborist community as a whole. He further states, "Research and experience show that tree value is nebulous … there is a (large) gray area of acceptable values and ... when tree values are used to justify maintenance expense, high values can have an effect on the maintenance outcome." Here the author is encouraging arborists not to understand how trees' value may be appraised accurately in a defensible way, which is actually possible. Instead, he is urging them to shoot for high values in the (mistaken) belief that it will drive higher expenditures in the industry. He continues to be incorrect about the underlying factors that usually drive tree care, and expands into offering unsolicited and unethical advice. He is essentially saying, "No one knows exactly how much these trees are worth, but as tree people we all stand to benefit if everyone says they're worth more." In paragraph 13, he directly appeals to our baser instincts as financial creatures.

From here Komen goes on to incorrectly compare the appraisal of cars, homes, bicycles and businesses to the appraisal of trees and offers more inane appraisal advice. He says that other appraisals, while not actual sales, can be used to help an arborist do an appraisal. He urges arborists to use other appraisals as a starting point for their appraisals, and again urges everyone to just aim high because high tree values are what drives our industry. Besides the now frustrating mantra that everyone needs to scratch everyone else's back by appraising trees high, Komen is guilty here of fundamentally misunderstanding what kind of good a mature tree is. Mature trees are not transferable items and cannot be appraised by investigating the market. And it is unwise to base an appraisal on another appraisal, especially if the industry as a whole is beating the drums of higher appraisals for their own (perceived) benefit.

Cars, homes and bicycles can and are legally transferred regularly from person to person and can be accurately appraised by investigating previous completed transactions in the marketplace. Once sales have been studied, then an appraiser may compare qualitatively the previously transferred good or goods with the good or goods for which appraised value is desired. Because there is an actual history of people paying a certain amount for these types of goods, then appraisal of these goods is accurate. For appraisers of these goods, it is a dubious practice indeed to rely on other appraisals, since they don't reflect actual sales but just other people's estimates.

While it's true that smaller trees (up to 9-inch dbh) are commonly bought and sold in the marketplace, Komen never once mentions the Cost Approach generally, only the Trunk Formula Method and how best to inflate tree values, and it is presumed that mature trees are the focus of his article. Mature trees' real value relates to landscape and property value, and because they are not transferable, relying on previous estimations of value in lieu of sales as comparable is incorrect. Therefore Komen's section on comparables is misleading.

Businesses are typically appraised using a version of the Income approach. I wish that more appraisal nuance was introduced in Komen's article. That comparison might have been useful. But he lumped businesses in with houses and cars, and all of that went in the same category as trees, and that is unfortunate. A good appraiser of trees would ideally understand better how to appraise other things as well, if you accept that things have a real value and that that value can be determined in a fair way. But I can safely say that, after reading this article, an aspiring arborist might believe that appraisal is hocus-pocus and primarily an exercise in self -preservation, which it is not.

Komen, in his section on self-worth, more deeply expounds upon the way in which tree appraisal and arborist self-worth are intertwined. He seems to have encountered some opposition to his views over the years, and that's a good thing, but I wonder why would TCIA and *TCI Magazine* support such an approach to tree appraisal? Appraisal should be exactly what it is in the case of other goods: An honest attempt at establishing a fair value in the event that something was lost or damaged, typically for the purposes of making restitution. There is not a whole lot more to it than that. As for arborists' value, the justification for our profession should not be tied to the value of trees, but simply in providing utility to our customers. In that way, we are no different from other service providers, businesses or professionals. Appraisal is not just something that comes up every few months in *TCI Magazi*ne, and to treat the topic in such an oblique manner is not a service to your readership.

With regard to the appraisals themselves, I regret that the author didn't make better mention of the approaches outlined in the *Guide for Plant Appraisal*. The *Guide* does a good job of explaining how plants can provide an income for a property owner and how that stream of income can be monetized into a present value. The *Guide* explores what circumstances are appropriate for this method. The *Guide* is excellent with regard to the Market Approach and how to collaborate with Realtors, assess comparable sales (of houses sold,

not houses that were appraised) and determine what contribution trees may have had toward property value. The *Guide* goes into good detail regarding the Cost Approach, of which the Trunk Formula Method is a part. Most importantly, The *Guide* does an excellent job of instructing would-be appraisers to take into account the big picture and avoid appraising trees via one method.

It's true that for many tree appraisal cases the only method that can easily be applied without assistance from other professionals is the Trunk Formula Method. But this does not mean that values are nebulous. A skilled appraiser adheres to ethics and abides by a sense of reasonable value. In those cases where an arborist wishes to "appraise high" because of a desire to obtain a higher value for his or her client, let him or her do it knowing full well that they are playing a part in a negotiation that may not be strictly ethical. The idea that appraisals (or inherent tree values) themselves are the foundation of the industry is false. The idea that higher appraised values benefit the industry is false, and even if it were true, a good appraisal would focus more on actual value than benefit to a certain industry.

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Komen Responds:

When invited to write a non-technical article on tree appraisal, I was hoping to establish a dialogue among generalists and specialists on an important area of arboricultural practice. I did not expect all readers to agree with my claims, but I also did not anticipate the harsh reaction I seem to have provoked in attempting to shed light on long-held assumptions that directly affect all tree professionals. The comments reflect the passion we all have for our subject matter and will hopefully serve to constructively advance our understanding of our interaction with those who depend on our judgment and services. In this light, I was pleased that *TCI Magazine* gave me this opportunity to respond to the comments received.

The first comment I received stated that the opinions expressed in the article are entirely my own. That is absolutely correct. And I agree that it would have been good to explicitly state this in the original article. I am not in any way associated with the Council of Tree and Landscape Appraisers (CTLA). My opinions are based on the cited research and my experience.

However, my discussion of the proposed changes to the 9th edition (of the *Guide for Plant Appraisal*) contained no new information beyond what had already been made public. In his presentations at the 2015 American Society of Consulting Arborists (ASCA) conference in Tucson and at the 2016 Western Chapter ISA (WCISA) conference in Anaheim, ASCA representative Jim Clark announced the elimination of the Adjusted Trunk Area (ATA) formula and the restructuring of the depreciation ratings. In my writing, I took that information and discussed its potential impact on Trunk Formula Method

(TFM) appraisals as a means of supporting my thesis that tree appraisal matters to non-appraising arborists.

It was suggested that my discussion was premature. However, in making information public about the 10th edition, its authors could have reasonably anticipated that the public would begin formulating its own responses and opinions. The call to action at the end of my article directs readers to do exactly what the first comment is stating: review the drafts when they are released. I completely agree that this is the most appropriate channel for industry members to give input on the new edition of the guide.

The second comment submitted to me was more troubling. It claimed I had a poor understanding of appraisal methodology and that I made unethical recommendations regarding the distortion of appraisals. It is both concerning and disappointing that my writing was interpreted as recommending that appraising arborists should distort appraisals for selfish purposes. Instead, my intention was to support tree appraisal as a practice, defending it from those who would otherwise be apathetic.

The justification for most practicing arborists is a demand for tree services, but the demand for tree services is derived from the value created by trees. Appraisal is an opinion of that value. Human need or desire, though difficult to quantify, is a critical component to value. Human need or desire affects how much someone is willing to pay for a good or service, and is inseparable from the market approach to appraisal.

Tree managers' decisions of how to allocate tree-management resources are influenced by their perceived value of the trees. I can say from my experience that my clients have changed their management decisions upon hearing my opinion of their trees' value, whether high or low. For example, construction managers, when weighing the advantages of paying government tree-removal fines, sometimes decide against removal when informed of the tree's potential value. Also, tree owners have decided to move forward with or skip certain manicure pruning, cabling or pest management based on the appraised value of a given subject tree. Although appraisal clients have their own opinions of tree value, they care enough to listen to an arborist's opinion because of his or her experience and training.

The most egregious claim made by the second commenter was the "unethical" implications of my writing. It disappoints me that my article was not interpreted as intended. To clarify, I would like to break down the steps to my logic:

1. Tree managers' decisions of how to allocate financial resources to manage trees are influenced by their perceived value of the trees;

2. The income generated by tree industry participants is related to the decisions made by tree managers;

3. Changing the methodology of tree appraisal may change the appraised values of managed trees; so therefore,

4. Changes to the methodology of tree appraisal may change the income generat-

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ed by tree-industry participants.

In other words, appraisal matters to non-appraising arborists.

I never intended that tree service companies should offer deliberately high appraisals. Consulting arborists are held to the standard of being independent and objective. An ethical consulting arborist does not alter appraisals or aim high. My article was not a call to action for arborists to abuse appraisal methods to sell more work. Rather, it was a discussion of how I predict the industry may respond to changes to the current appraisal framework as a means of encouraging non-appraising arborists to pay attention to the ever-evolving world of appraisal.

Tree business owners and practicing arborists alike may find such predictions useful when strategizing how to best allocate their resources. If appraisal methodology is changing such that more appraisals will end up higher, there may be an increased demand for tree preservation, IPM and the like. If it is changing such that more appraisals will end up lower, there may be a shift in the marketplace to more removals, as fewer trees can be justifiably retained. This is not a shift that can be controlled or influenced by artificially adjusting appraisals. But rather, if it can be predicted, appropriate measures can be taken by arborists to adjust their practices to better serve their clients and the public.

Municipal arborists may find this information useful because it may influence their justification of maintenance expenditures or assignment of construction bonding or punitive fines. Commercial arborists may adjust their marketing strategies to focus on the services that are more in demand. Arborists offering expensive specialties may need to prepare to handle a wave of demand or a long lull. The reader must decide whether my predictions are accurate. Ultimately, paying attention to what gets decided by the CTLA is important for all arborists, whether they practice appraisal or not.

The commenter claims that tree value is not a consideration in decision-making for utility line clearance and hazard-tree removal. I believe the opposite to be true. In such circumstances, the value of the tree is exceeded by the need for safety or utility access. Therefore, the decision to remove a tree or to prune right-of-way clearance is justifiable in lieu of the alternative. Though a formal appraisal may not be conducted in these cases, a value decision is still made, whether consciously or unconsciously by the tree manager. The opposite end of the management spectrum is also true. Sometimes tree managers elect to spend vast sums of money preserving trees that may not be worth much to their property values. This does not contradict my thesis; tree appraisal is still relevant to the decision-making process. The tree manager's opinion of value may just take precedence over the appraiser's.

Beyond the TFM, there are many alternative approaches and methods within the broad spectrum of appraisal that were not discussed in my short article due to the necessity of brevity. My assignment was to write a general-interest article targeted for non-appraising arborists, and the intention was not to write a comprehensive manual on tree-appraisal justification. The examples I gave regarding the TFM specifically related to the recent developments that have been publicly presented by a representative of the CTLA. The intention of giving contemporary examples was to illustrate the immediacy and relevance of appraisal to the non-appraising arborist, not to imply that TFM is the only method of appraising trees.

Trees are fixtures on the land, and they contribute to market value. Often, they contribute to market value in the same way as the retaining wall example (in Boutte's comment). Trees and retaining walls alike can be appraised using multiple approaches, some more relevant than others in different scenarios. The market value added by a tree or wall is related to the difference in predicted selling price of the whole property with or without the fixture. The appraised value is certainly relevant in maintenance decision making; a property with a retaining wall in disrepair or a tree in need of maintenance would likely be valued at a discount approximately equal to the amount of required repairs. A professional appraiser may often not be necessary when making such management decisions, but the tree or wall manager must still conduct an appraisal of his own by evaluating the consequences of taking no action versus the cost of performing the maintenance. Sometimes a manager may call upon a real property appraiser or arborist to advise him on the cost/benefit tradeoff.

In my discussion of anchoring, I talk about how appraisals anchor readers' opinions. There are many people who read appraisal reports, most of whom are not professional appraisers. They seek an expert opinion on the value of a tree. However, they too have their own opinions of value. Readers may base those opinions on the justification outlined in the professional appraiser's report, or they may choose to reject the appraiser's opinion. But as the psychological experiment with Japan's population illustrates, once an anchoring value has been given (by an appraiser or otherwise), readers diverge from that value. Future opinions of value do not exist in a vacuum.

The commenter states, "Appraisal

should be exactly what it is in the case of other goods: An honest attempt at establishing a fair value in the event that something was lost or damaged, typically for the purposes of making restitution. There is not a whole lot more to it than that." But this oversimplifies. Appraisal is an opinion of value. A value determination can be used to inform decisions far beyond the scope of damage claims and litigation.

An attribute to appraisal that was not discussed in the article due to brevity was credibility of the appraisal. As established, arborists and non-arborists alike hold differing opinions of what the value of a given tree is. Those opinions that are more defensible and justifiable hold more weight. Arbitrarily assigning a value is not productive because it is not defensible. Rather, appraisals become defensible through credibility of the appraiser (experience, training and knowledge), appropriateness to the situation, soundness of logic, quality of discussion and reconciliation with other methodology. Appraisals that are weak in one or more of these areas are more likely to be questioned.

It would be incorrect to say that knowing how other colleagues have appraised trees would have zero effect on any given appraiser's own opinions. We can all learn from each other. It would be short-sighted to take the position that every appraisal exists free of any external influence. I think ASCA has taken a great step toward creating a dialogue between appraising arborists by offering appraisal case capsules at the upcoming 2016 conference in Boston (November 30-December 3), where consultants may present case studies as appraisal examples. Without inter-appraiser dialogue, appraising arborists may become set in their ways. More years of experience and greater frequency of use of the TFM does not increase the inter-arborist precision of appraisals. Rather, research shows that it has the opposite effect; appraisers with more years of experience have more divergent opinions.

When the commenter discusses the goal of an appraisal being "fair" and "accurate," he assumes there is only one correct value from which all other appraisals deviate. Appraising arborists often diverge in opinions, sometimes by large margins. When they are on opposite sides of the bench in litigation, sometimes neither appraisal is used to determine a settlement or judgment. Sometimes either one could be used. Rather than assuming there is only one correct answer, consider appraisal to be a continuum of possible answers. One final value must be chosen and defended for any given appraisal, and in cases of multiple appraisals, the most defensible appraisal is the one that gets applied. Sometimes that final applied value may not be one of the values supplied by the appraising arborists; it may be a completely different value above, below or between them.

My article was not intended to encourage more arborists to become appraisers, nor was it intended to encourage appraisers to "aim high." Rather, it was intended to encourage non-appraising arborists to care about the changes that are coming for tree appraisal and to provide feedback if they have opinions on the methodology.

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