

into consideration that an appraisal does not establish value and that other expert opinions of value will normally vary, either higher or lower. Initial offers may be made which are below the exact appraisal figure but they cannot be substantially below. They must be within the probable variations to be expected to result between opinions of different experienced appraisers.

The concept behind this policy is that market value is not necessarily determined by appraisals. Rather, market value is arrived at by negotiation between a willing buyer and a willing seller. A uniform practice of restricting offers to the exact amount of an appraisal would derogate from our stated policy of engaging in actual, practical, realistic negotiations, taking into consideration all of the flexible factors which would influence a willing seller. This policy is in accordance with the intent of Congress as expressed in Section 301 of the Land Acquisition Policy Act of 1960, Public Law 86-645.

A policy providing that an appraiser chosen by the Government shall fix a value below which the United States cannot purchase would, in effect, substitute his judgment for market value. Furthermore, if the appraiser's opinion is considered as a substitute for the establishment of the lowest fair price, it is logical to substitute his opinion as the maximum price. As a result, any true negotiations would be precluded.

As stated in the select subcommittee report, "The purpose of the appraisal is to estimate the fair market value of land under judicial concepts". This is defined in our procedures as "the highest price estimated in terms of money which a property will bring if exposed for sale in the open market allowing a reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used". While the appraisal is not an exact science, the appraisers rely on certain assumptions and data of the real estate market to arrive at price and not a reasonable range of value. Our negotiations are conducted within this range, which is determined from the appraisal and the appraiser's analysis of the data contained therein.

(d) There is inclosed a tabulation showing the number of tracts of land acquired by the Corps of Engineers, during the period 1 January 1965 through 30 June 1967, and indicating the number and percentage of instances in which the property was purchased at less than the appraisal estimate, the number and percentage purchased at the appraisal, and the number and percentage purchased at an amount greater than the appraisal. This data includes all land acquisition by the Corps of Engineers, including that for Civil Works, Army and Air Force military, NASA and others.

No consolidated report is available indicating the number or percentage of tracts on which the initial offer was less than the appraised valuation. As pointed out above, negotiations consist of a series of offers and counteroffers designed to reach an agreement as to price which is just and reasonable to the landowner and fair to the Government. Therefore, it is reasonable to assume that in a substantial number of cases the initial offer was less than the Government's appraisal estimate.

I trust that this information is satisfactory for your purposes.

Sincerely,

MAX McCORD,

Colonel, Corps of Engineers, and Director of Real Estate.

EXHIBIT A

	Tracts optioned at less than the appraisal	Percent	Tracts optioned at the appraisal	Percent	Tracts optioned at more than the appraisal	Percent
Jan. 1-June 30, 1965.....	790	11.0	2,874	39.0	3,621	50
Fiscal year 1966.....	1,060	10.0	3,037	29.0	6,290	61
Fiscal year 1967.....	831	10.0	2,236	26.0	5,390	64
Total.....	2,681	10.3	8,147	31.2	15,301	58

Note: Total tracts, 26,129.