

## TERMS OF REFERENCE

For Corporate properties assigned by various closed banks to Philippine Deposit Insurance Corporation

ANNEX B

### OCULAR (SITE) INSPECTION AND APPRAISAL OF REAL PROPERTIES TO DETERMINE MARKET AND NON-MARKET VALUES

#### A. ENGAGEMENT PURPOSE AND COVERAGE

1. These terms of reference shall apply to the appraisal work on forty two (22) Corporate properties assigned by various closed banks to Philippine Deposit Insurance Corporation located in Regions 7, 10 and 11 details of which are attached as Annex A.

#### B. OBJECTIVES

The objective of the service is to establish a fair and reasonable valuation of the properties based on market value, prompt sale/forced sale value as well as market rent/current lease rate for possible renting/leasing out of properties pending disposal.

#### C. SCOPE OF WORK

1. The appraisal service shall cover land, building and other improvements of the properties enumerated in Annex A.
2. The appraisal service shall cover determination of the Market Value, Prompt/Forced Sale Value and Market Rent of the properties taking into account its condition.

**MARKET VALUE** is the estimated amount for which a property may be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**PROMPT/FORCED SALE VALUE** is the amount, which may reasonably be received from sale of property within a time frame too short to meet the marketing time frame required by the market value definition.

**MARKET RENT** is the estimated amount for which a property, or space within a property may be leased on the date of valuation between a willing lessee on appropriate lease terms in an arm's length transaction,

after proper marketing, wherein the parties had each acted knowledgeably, prudently, and without compulsion.

3. The market value, prompt/force sale value and market rent appraisal shall be performed using generally accepted analytical methodologies that are of common use, namely Sales Comparison and Cost Approach.

The valuation of the property shall consider the present condition of the property at the time of the appraisal, without considering future developments or the completion of on-going developments. In addition, the appraisal shall take into account the status of the title to the property, un-cancelled encumbrances, liens and specific rights/limitations imposed by the government. The report shall include a disclosure on the status of the title to the property.

In the case of specialized properties, including improvements thereon, the appraiser shall also determine the salvage value in addition to what is required in the preceding paragraph.

**SPECIALIZED PROPERTY** refers to property that is rarely, if ever sold in the market, except by way of a sale of the business or entity of which it is part, due to uniqueness, arising from its specialized nature and design, its configuration, size, location, or otherwise such as refineries, power stations, docks, specialized manufacturing facilities, public facilities, churches, museums, etc.

**SALVAGE VALUE** is the value of the property, excluding land, as if disposed of for the materials it contains, rather than for continued use without special repairs or adaptation.

**SALES COMPARISON APPROACH** considers the sale of similar or substitute properties on cash basis, and related market date within the same or comparable area/location, and establishes a value estimate by process involving comparison. In general, a property being valued is compared with cash sales of similar properties that have been transacted in the market.

**COST APPROACH** considers the possibility that, as an alternative to the purchase of a given property, one could acquire an equivalent asset that would provide equal utility. This would involve the cost of acquiring equivalent land and constructing an equivalent new structure.

## **D. SPECIFICATION OF SERVICES AND REPORT PRESENTATION**

### **1. Purpose, Scope and Date of Appraisal**

Briefly describe the purpose, scope, date of appraisal service rendered on the property, its location, the valuation method and the assumptions used as provided in Section C.

## **2. Neighborhood Data**

Conduct a survey on the immediate neighborhood of the subject property to have a data/record on the following:

- a. Compliance to official zoning of the area in which the property is located;
- b. Land development;
- c. Availability of utility and other public services – i.e. water, power, telephone, sanitation and transportation;
- d. Nature and condition of public roads leading to the property, including alternate routes;
- e. Nuisance and or easement , if any;
- f. Availability and accessibility of amenities – i.e. schools and public markets, hospitals and churches, commercial/business centers, and recreational facilities.

## **3. Property Location and Identification**

Based on technical description as inscribed on the title over the Property, conduct necessary inspection to verify and/or record property information which shall include but not be limited to the following:

- a. Property location and identification;
- b. Landmark and distance from main thoroughfares;
- c. Occupants and claimants, if any; and
- d. Developments on the property.

## **4. Land Data and Title Verification**

Locate and plot the property to determine boundaries, use and occupancy, illegal encroachments or structures, right of way (usufruct) or the lack thereof, obstruction that would affect the access to and from the property, easements, and physical characteristics of the land which shall include but not limited to the following:

- a. Size;
- b. Shape and/or terrain;
- c. Elevation in relation to fronting thoroughfare;
- d. Road type and width;
- e. Road frontage; and
- f. Average depth.

**Conduct title verification through examination of the corresponding Original Certificate of Title (OCT) or Transfer Certificate of Title (TCT) on file with the proper Register of Deeds.**

Report all recorded liens, encumbrances or restrictions, e.g. Notice of Lis Pendens, covered by the Comprehensive Agrarian Reform Act, subject to Certificate of Land Ownership Award, land patents, etc. and expropriation or eminent domain coverage. All processes adopted and findings should be specifically reported.

If the preceding paragraphs are not applicable to a particular Property, the report should specifically state so.

Furthermore, the appraiser shall state the following in the report:

- i. zonal classification and zonal value of the Property;
- ii. whether the Property needs to be re-surveyed by a professional surveyor.

**5. Description of Improvements**

Conduct inspection of improvements, if any, to determine floor area, number of rooms, nature, make or type, materials used, economic life, extent and condition of existing improvements and to include name/names of occupants, lessees and information if with or without existing lease contracts or agreements in respect of the property.

**6. Highest and Best Use**

Determine/report the most optimal use of a Property which is physically possible, appropriately justified, legally permissible, financially feasible and which results in the highest value of the property being realized.

**7. Valuation**

Gather data on the valuation of the Property under appraisal; investigate and identify sale of similar properties within the last two (2) years in the vicinity of the subject Property, whether undervalued or not; and interview people known to be knowledgeable of the real estate prices and circumstances of sale as identified; and, gather property listings including list of sales of similar bank foreclosed properties within the vicinity.

Gather construction cost information for materials, labor, contractor's overhead, profit and fees and provide an estimate of value of existing improvements based on data collected and using appropriate valuation approach.

Describe the work process or approach to value, appraisal considerations and present summary showing the distribution of the Market Value and Market Rent of the Property.

## **E. APPRAISAL REPORT**

1. The appraisal report shall be comprehensive and must contain data required as indicated in Section D, and other disclosures essential to the proper valuation of the Property. The report shall clearly and accurately set forth the conclusions of the valuation in a manner that is not misleading with professional opinion on the Market Value, Prompt/Forced Sale Value, and Market Rent of the Properties. The appraisal report shall be submitted in two (2) original copies **and a soft copy of the report in PDF format and picture of the subject in JPG format with date stamp.**

The appraisal report shall include, but not be limited to the following data:

- a. Date as of which the value applies, date of the report and date of inspection;
  - b. Basis of valuation, including type and definition of value. When any of the component of the valuation is valued on more than one basis of value, a clear distinction must be made between the bases;
  - c. Identification and description of the following:
    1. property rights or interests to be valued;
    2. physical and legal characteristics of the Property; and
    3. classes of property included in the valuation other than the primary property category
  - d. Description of the scope/extent of work used to develop the valuation;
  - e. All assumptions and limiting conditions upon which the value conclusion is contingent;
  - f. Special, unusual or extraordinary assumptions and address the probability that such condition will occur; and
  - g. Description of the information and data examined, the market analysis performed, the valuation approaches and procedures followed, and the reasoning that supports the analyses, opinions and conclusions in the report.
2. The appraisal report shall be accompanied by the following documents:
    - a. Certified true copy of OCTs or TCTs covering the Properties on file with the Register of Deeds;
    - b. Pictures of the Properties with date stamp (**camera must have a dater to capture actual date photo was taken; and maps must be scanned (in PDF format).**)

- c. Compound layouts, plots, plans, vicinity maps, location plans to show the relative location of the Properties to land, building and other land improvements;
- d. Name of occupants, if any, contact number and other relevant circumstances of their occupancy;
- e. Latest real estate tax assessment and other unpaid dues/assessments
- f. Such other documents as may be required by PDIC

#### **F. DURATION OF WORK**

The Appraiser shall immediately conduct actual ocular inspection and appraisal of the Properties from receipt from PDIC of documents identified in Section L. Draft appraisal report for the properties must be submitted to PDIC for review and comment weekly and by batch in accordance with agreed timeline. Appraisal work including submission of final reports as reviewed by PDIC shall be completed within one month from the engagement date.

#### **G. MODE OF PAYMENT**

The service fee shall be a lump sum fee, as may be adjusted pursuant to Section H below, inclusive of all applicable taxes and all out-of-pocket expenses. Payment of the service fee is subject to PDIC's auditing and accounting requirements.

#### **H. ADJUSTMENT IN REMUNERATION**

The remuneration shall be adjusted in case additional properties for appraisal will be added to the Schedule or whenever PDIC engages the services of other appraisers to appraise the remaining un-appraised properties in the Schedule as provided under Section C.1.

In the event that the new properties for appraisal are added to the Schedule, the appraiser's remuneration shall be adjusted upward by multiplying said remuneration by the proportion that the total number of all properties for appraisal, including the properties for appraisal set out in the Schedule and the new properties added thereto, bears to the total number of properties for appraisal originally set out in the Schedule.

In the event that PDIC is constrained to engage the services of other appraisers to complete the appraisal of remaining un-appraised properties due to the failure of the appraiser to perform its obligations under the Contract, the appraiser's remuneration as may have been adjusted due to any addition of new properties for appraisal, shall be adjusted downward by multiplying said remuneration by the proportion that the number of appraised properties bears to the total number of properties for appraisal under the

Schedule, including any amendment thereto due to a previous addition of new properties for appraisal. For the avoidance of doubt, the downward adjustment of the appraiser's remuneration shall be in addition to, and not in lieu of, the forfeiture of the Performance Security.

#### **I. LIQUIDATED DAMAGES**

The appraiser shall be liable for payment of liquidation damages in case of breach of any provisions of the contract, including a mistake by the Appraiser in the performance of its obligations. The amount of liquidated damages shall be equal to one-tenth of one percent (1/10 of 1%) of the cost of the unperformed portion for every day of delay. Once the cumulative amount of liquidated damages reaches ten percent (10%) of the amount, PDIC, at its option, may rescind the Contract, without prejudice to other courses of actions and remedies open to it, including the liquidated damages.

Furthermore, PDIC reserves the right to deduct any and all of the liquidated damages from any money due or may become due to the appraiser under the terms of the contract and/or from the appraiser's performance bond, as PDIC may deem convenient and expeditious under the circumstances.

#### **J. LITIGATION EXPENSES**

In the event that PDIC shall be compelled to seek judicial relief, it shall be entitled to attorney's fees equivalent to ten percent (10%) of the amount claimed in the judicial action, but in no event shall it be less than Ten Thousand Pesos (P10,000.00), Philippine Currency, apart from the costs of litigation and other incidental expenses.

#### **K. DOCUMENTS NEEDED**

PDIC shall provide the following documents to the appraisal firm:

1. Letter of Authority from PDIC to inspect the property; and
2. Copy of the Transfer Certificate of Title, Tax Declarations, lot and building plan and layout, if any

#### **L. THE PROPOSAL**

To facilitate the evaluation process, appraisal firms are to submit a proposal which shall include the following information, among others:

##### **1. COMPANY BACKGROUND**

The section should provide a brief background or profile of the firm. Please attach the following as annexes:

- a. Company Brochure
- b. List of Key Officers in the organization

### **1.1 Experience and Company Expertise**

Provide a brief writ-up on the qualifications of the firm, the appraisers/valuers and technical staff assigned to handle the project and a brief description of relevant engagement in the last five (5) years that best illustrate the appraisal firm's expertise and experience.

## **2. FEE STRUCTURES AND TIMETABLE**

This section should contain the proposed fee structure and the proposed timetable to complete the project. Fees should be expressed in the Philippine currency, and will be presumed to have included all applicable Philippine taxes, fees and duties and out-of-pocket expenses to be incurred in the project. The appraisal firm must provide a bid price for each pool of properties as indicated in Annex A and a proposed timetable for each pool.

## **M. EVALUATION OF PROPOSALS**

PDIC shall review and approve the submitted proposals, and may also request the appraisal firm to make a presentation. Appraisal firms are expected to make themselves available for said presentation at the date and time to be set subsequently by PDIC, upon at least three days notice.

PDIC shall evaluate the proposals on the basis of their responsiveness to the Terms of Reference. Major considerations will include the appraisal firm's track record, and capability/experience of the project team, among others, as well as the proposed fee structure.

PDIC shall then hold negotiations with the appraiser deemed to have the most responsive proposal. The aim of the negotiation is to reach agreement on all points of the engagement. Negotiations will include a discussion of the proposal, the proposed staffing and the proposed fee structure, among others. The contract will be awarded following conclusion of the negotiations.