



Land Acquisition Grant Program Appraisal Guidelines and Supplemental Standards

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Introduction: These appraisal guidelines and supplemental standards are meant to ensure high quality appraisals that provide a sound basis for OWEB land acquisition grants. They provide information about the appraisal process as well as OWEB-specific requirements which the OWEB grantee and the appraiser must follow. OWEB requires that all appraisal reports adhere to the most current version of the Uniform Standards of Professional Appraisal Practice (USPAP) as published by the Appraisal Foundation and in certain cases, to the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) a.k.a. “The Yellow Book” as well.

1. Intended User: OWEB must always be an intended user of any appraisal submitted to support an OWEB grant. The appraisal must include a copy of the engagement letter and any supplemental assignment instructions in the report addenda.

2. Client of the Appraisal: The OWEB grantee is responsible for selecting and hiring the appraiser, and must be the sole client of the appraisal.

3. Appraiser Qualifications and Selection: The appraiser must be an Oregon state-certified appraiser with geographic competency in the area he or she is appraising as well as recent experience appraising similar property types and property interests. If the project entails a partial acquisition, the appraiser should also have experience in “before and after” analysis. In addition, if UASFLA applies, the appraiser should have successfully completed a UASFLA appraisal course from a recognized appraisal education provider within the last 5 years. While not intended to be a specific appraiser qualification requirement, the OWEB grantee is encouraged to request, from the appraisers they are considering, statements regarding: (i) Properties similar to the subject property they have appraised in the past three to five years; (ii) Properties in the general locale of the subject property they have appraised in the past three to five years; and (iii) UASFLA appraisal assignments they have completed within the past three to five years involving properties similar to the subject property. Listings of potentially qualified appraisers may be obtained from the following sources:

- OWEB’s acquisitions staff. The staff will facilitate your contact with OWEB’s review appraiser, who can provide names of appraisers who are experienced in the appraisal of rural properties. OWEB’s review appraiser will not recommend a specific appraiser.
- American Society of Farm Managers and Rural Appraisers (ASFMRA) at <http://www.asfmra.org/>
- Appraisal Institute at <http://www.appraisalinstitute.org/>
- Northwest Farm Credit Services at <http://www.farm-credit.com/>

4. Information from the Client: It is the responsibility of the OWEB grantee, who is the client of the appraiser, to provide the appraiser with basic information about the property, including

physical, economic, and legal characteristics; property sales and use history; and the property rights to be appraised. Typical items to be provided include a preliminary title report; plot plans, maps, or surveys; water rights information; and signed agreements or contracts. OWEB's web site, http://www.oregon.gov/OWEB/GRANTS/pages/acquisition_grants.aspx, contains an Appraisal Contracting Worksheet, designed to assist grantees in giving information to the appraiser. The worksheet provides a format for organizing relevant information including that pertaining to merchantable timber, mineral estates, and water rights.

5. Role of the OWEB Review Appraiser: All appraisal reports submitted to OWEB must be reviewed and approved before they may serve as a basis for a land acquisition grant. Once the appraisal assignment is complete, a copy of the appraisal report will be given to OWEB's Review Appraiser for technical review. Appraisers must agree to work with OWEB Review Appraiser as needed in order to obtain an approvable report. Any appraiser preparing a report for use by OWEB may contact the OWEB Review Appraiser before beginning work in order to discuss the appraiser's approach to the appraisal problem and clarify any issues before beginning the assignment. Appraisers should ask their clients for the Review Appraiser's contact information, which OWEB staff will provide. Please note that OWEB may share review appraisals with match funders, if the engagement letter also states that the match funders are intended users of the appraisal.

6. Involvement of the Property Owner: If a UASFLA report is being prepared, the appraiser is required to give the property owner or designated representative of the property owner the opportunity to accompany the appraiser on the property inspection. This practice is also recommended for USPAP reports. The property owner is also invited to present pertinent information regarding property characteristics, history, and current uses as well as relevant area sales if known during the appraiser's interview with the owner.

7. Appraisal Standards: If federal funds will be used for the property purchase, a UASFLA appraisal is typically required. Otherwise, the report will be written to USPAP standards using OWEB's supplemental reporting standard (see Section 20 below). The supplemental reporting standards apply only to USPAP reports. UASFLA specifies its own reporting requirements. Both are aimed at presenting a logical narrative with adequate supporting data. If preparing a UASFLA compliant appraisal report, the appraisal should rely on the market value definition as contained within UASFLA. If the appraisal is not intended to be UASFLA compliant, but instead USPAP compliant, the definition of market value should be that which is recommended in the Oregon Department of Transportation (ODOT) Guide to Appraising Real Property.

8. Scope of Work: The appraiser's scope of work must result in credible assignment results for the intended use.

9. Date of Valuation: The date of valuation should be the date of final inspection.

10. Property Inspection: The appraiser must make an onsite inspection of the appraised property. Giving the property owner the opportunity to accompany the appraiser on the property inspection is required by UASFLA standards and recommended for USPAP appraisals.

11. "As-is" Market Value Appraisals: OWEB requires that appraisals must be "as-is" market value appraisals using all applicable approaches to value. *Therefore, any "extraordinary*

assumptions” or “hypothetical conditions” developed as a part of the appraisal project must be discussed with the OWEB Review Appraiser, and preapproved for use in the report. An exception to this rule is that if the transaction involves a conservation easement valuation, the appraiser must assume a hypothetical condition in the after valuation: that the property is already encumbered with the easement (see Section 14 below).

12. Highest and Best Use: The appraiser must base the highest and best use of the property on an economic use. A non-economic highest and best use, such as *conservation, natural lands, preservation* or any use that requires the property to be withheld from economic production in perpetuity, is not a valid use upon which to estimate market value. Nor may a highest and best use be speculative or conjectural. A proposed highest and best use requires showing reasonable probability that the land is both physically adaptable for such use and that there is an economic need or demand for such use in the reasonably near future. A point-by-point highest and best use analysis is required in the report covering the four tests of physically possible, legally permissible, financially feasible, and maximally productive.

13. Partial Taking Valuations: For partial acquisition of a larger ownership, identification of the larger parcel is required. OWEB recognizes that the appraiser may or may not determine that the larger parcel is the proposed fee acquisition area. In making a determination of the larger parcel, the appraiser should consider market evidence from the open and competitive market as to how a typical private sector seller and buyer would evaluate the larger parcel. If the appraiser determines that the fee acquisition area is its own larger parcel, then it should be appraised independently. If, on the other hand, the appraiser determines that the larger parcel is the entire ownership (of which the land being acquired is a portion), then the before and after method is generally the accepted process to use. Elements to be considered in making the larger parcel determination include: 1) the current and potential use and utility of the remaining ownership; and 2) any damages or benefits to the remaining ownership or improvements. It is up to the appraiser to fully explain and support his or her larger parcel determination.

14. Appraisal of Conservation Easements: The following guidelines apply to the appraisal of conservation easements.

- All conservation easement appraisals will be based on the “before and after” methodology. The appraiser may refer to UASFLA or to the Appraisal Institute’s or ASFMRA’s courses on appraising conservation easements for further guidance.
- The “substantially agreed upon” or final copy of the conservation easement must be provided to the appraiser. Changes in the document will require the appraiser be given an opportunity to consider and address any possible impact to the valuation. The appraiser must assume a hypothetical condition in the after valuation, that the property is already encumbered with the conservation easement.
- Comparable sales used in the “after” valuation should be properties similarly encumbered, if at all possible. A larger geographic search is typical.

15. Photographs and Maps for Property Appraised: Required map exhibits include an aerial photo with parcel boundary overlay, assessor’s plat map, and a topographical map. The appraiser should also include other illustrative maps as appropriate (plot plan, soils, wetlands, floodplain, location/access, proposed conservation easement configuration etc.) Color photos taken at ground level should show both the exteriors and interiors of major improvements, views of road access to the property, any significant or unusual features, and views of the property’s land types

taken from enough locations to provide an adequate understanding of the property's physical characteristics to someone who has never been there.

16. Data Analysis: The appraiser must include a separate narrative for each comparable sale explaining what value it indicates for the subject, together with an overall summary conclusion. The preferred method of adjusting comparable sales is through supported quantitative adjustments (percentage, \$/acre, etc.); qualitative adjustments (similar, inferior, or superior) are to be used only when the market variables cannot be quantified. Quantitative adjustments without support are unacceptable. When the appraiser must resort to qualitative analyses, a discussion of the appraiser's reasoning why a comparable sale is similar, inferior or superior to the subject property is required. A summarization of the appraiser's analysis in an adjustment grid is highly recommended and may allow for a more concise narrative. The final reconciliation must clearly state which indicators of value are the most reliable and explain how each indicator affects the appraiser's final conclusion of value.

17. Limited Market Conditions: OWEB recognizes that the appraisal assignment may involve a limited or inactive market. To the extent possible, the appraiser should use only private transactions for comparable sales. Valuations based entirely or mostly on government or land trust transactions are not acceptable, unless there are no other reasonable alternatives. If it is necessary to base the appraisal on such transactions, their confirmation is subject to the requirements of Section D-9 of UASFLA.

18. Analysis of Agreements Impacting the Subject Property: The appraiser must analyze and report all agreements of sale, options or listings of the subject property as of the effective date of the appraisal. Any contracts with the Natural Resources Conservation Service (NRCS), such as Conservation Reserve Program (CRP) or Conservation Reserve Enhancement Program (CREP) entitlements should also be analyzed.

19. Report Format: For USPAP reports, the narrative may follow the outline published by the Appraisal Institute¹. For UASFLA reports, the narrative must follow the outline provided in Appendix B therein.

20. Supplemental Reporting Standard: As a public agency, OWEB requires full explanation and complete analyses to support stated value opinions. Therefore, for USPAP reports, OWEB will continue to require a self-contained report as defined in the 2012-2013 USPAP, Standard 2-2(a) regardless of new reporting definitions in the 2014-15 USPAP. UASFLA reports must meet the standards described in Part A of UASFLA. Areas that are sometimes overlooked but are expected in a self-contained or UASFLA report include:

- Title report exceptions and their potential impact on value
- Type and extent of any water or mineral rights and their potential impact on value
- Area/neighborhood description including land use pattern and economic trends
- A detailed description of access to the property, both physical and legal, including directions to the nearest major arterial
- For partial acquisitions, a determination of the larger parcel with consideration given to all three elements of ownership, use, and contiguity

¹ The Appraisal of Real Estate, 13th Edition, Appraisal Institute, 2008, page 575

- Point-by-point highest and best use analysis
- Full explanation of exclusion of any approaches to value (per USPAP 2-2 (a) (viii))
- Either a full narrative of how each sale compares to the subject and the value indication thus derived, or a shorter narrative supplemented by the use of Adjustment Grids for the Valuation Analyses (preferred)
- Proper analysis of the sales defining the value components recognized in the marketplace and analyzing the contribution each makes to the entire sales price. For rural properties, components would typically include irrigated cropland, dry cropland, pasture, woodlot, flood plain or bottomland, etc. Other common allocations include homesites, residences, and outbuildings.

21. Waiver from Reporting Standard for Low-value USPAP Reports: The standard for self-contained reports is waived if the appraisal problem is uncomplicated² and the property is estimated by the OWEB grantee to be worth less than \$100,000 based on current comparable sales within the applicable market area.

22. Comparable Sales Data: Under both the USPAP self-contained and UASFLA reporting standards, complete comparable sales write-ups are required with analyses/allocations of the contributory value of the various property elements. Documentation of each comparable sale should include the following information, which should be summarized for each sale on comparable sales sheet and included in the report or in the addenda of the report:

- Name of buyer and seller
- Date of sale
- Legal description or tax parcel number
- Type of sale instrument
- Document recording information
- Price
- Terms of sale
- Location
- Zoning
- Present use
- Highest and Best Use (intended use)
- Brief physical description of the property
- Allocation of the sales price into appropriate contributory components
- A description of pertinent circumstances surrounding the transaction including buyer motivation
- Photograph (on the ground or aerial with property boundary delineation; aerial are preferred)
- Plat map and/or topo map of the property
- Name and phone number of the party that confirmed the transaction and the party's role in the transaction

² Definition of "Uncomplicated" is as follows:

- No change of Highest and Best Use.
 - No Damages other than "Cost to Cure."
 - The property consists of only one land type.
- Cost or Income approach to value not required to estimate value.

23. Comparable Sales Location Map(s): Sales map(s), showing the relative location of the comparable sales in relation to the property being appraised are required. Either this map or the maps used for each comparable sale should be detailed enough to locate the property on the ground using Google Maps or other digital mapping programs.