



LAND ACQUISITION GRANT PROGRAM

Appraisal Guidelines and Supplemental Standards

Oregon Watershed Enhancement Board

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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 current version of the Uniform Standards of Professional Appraisal Practice (USPAP) as published by the Appraisal Foundation and in certain cases, to the 2016 version of the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) a.k.a. “The Yellow Book” as well.

1. Intended User

OWEB must be an intended user of any appraisal submitted to support an OWEB grant. Any other public entity that will fund the acquisition should also be an intended user of the appraisal. If public funders are possible but not confirmed at the time of the appraisal, the OWEB grantee should inquire whether the appraiser is willing to include “other public funders, if any, later identified” as intended users of the appraisal.

The OWEB grantee’s supplemental assignment instructions must require the appraiser to distribute copies of the appraisal report to the client and intended users and authorize the appraiser to discuss the appraisal with the intended users.

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. The property owner may not be involved the appraisal process, except to the extent allowed under *Involvement of the Property Owner*, below. OWEB grantees are expected to uphold the highest level of professional and ethical conduct during the appraisal process. Grantees must not attempt to influence an appraiser’s analyses or valuation conclusion, nor encourage any other party to exert such pressure on the appraiser.

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” valuation. 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 and include a statement in the appraisal certifying which courses(s) the appraiser completed and the date(s) of completion.

If federal funds from the U.S. Fish and Wildlife Service’s (USFWS) Coastal Wetlands Conservation Grant Program (Coastal Wetlands Program) will be used for the acquisition, and an appraiser training is available online from the Appraisal and Valuation Services Office (AVSO) of the U.S. Department of the Interior, the appraiser should take the training, or confirm prior completion of the training, before beginning work on the

assignment. It is the OWEB grantee's responsibility to work with OWEB to determine whether an online training is available.

While not intended to be a specific appraiser qualification requirement, the OWEB grantee is encouraged to request, from the appraisers they are considering hiring, 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; (iii) UASFLA appraisal assignments they have completed within the past three to five years involving properties similar to the subject property; and (iv) confirmation of the appraiser being in good standing with the Oregon Appraiser Certification and Licensure Board.

The OWEB grantee's supplemental assignment instructions must require the appraiser to include a copy of their appraiser certification from the State of Oregon in the appraisal report.

Listings of potentially qualified appraisers may be obtained from the following sources:

- Land trusts that have completed similar OWEB-funded land acquisition projects.
- OWEB's acquisitions staff. The staff will facilitate 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>
- AgWest Farm Credit Services at [Home - AgWest Farm Credit \(agwestfc.com\)](http://www.agwestfc.com)

4. Information from the Client

Responsibilities

It is the responsibility of the OWEB grantee, who is the client of the appraiser, to provide the appraiser with this document and guidance, if any, from other entities that will fund the acquisition. If appraisal guidance of any other party conflicts with OWEB's appraisal requirements, the appraiser should consult with OWEB's Review Appraiser to determine an appropriate course of action regarding the inconsistency.

The OWEB grantee is also responsible for providing the appraiser with all pertinent 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 current preliminary title report (PTR); plot plans, maps, or surveys; water rights information; and signed agreements or contracts. The OWEB grantee should promptly provide new or updated property information to the appraiser.

The [Land Acquisition Grants](#) page on the OWEB website 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. OWEB expects the grantee to provide all relevant property information to the appraiser at the beginning of the appraisal assignment, to avoid appraisal cost increases caused by separately incorporating previously overlooked information.

Timber Data

If the property includes merchantable timber of contributory value, a current, complete timber inventory including a qualitative analysis must be provided to the appraiser. The inventory may include raw data collected by the seller. However, the data must be verified and analyzed by an independent third party, free of any involvement by the seller.

Preliminary Title Report

An appraisal's title information should be consistent with the current PTR for the property. If the OWEB grantee thinks the PTR is in error, the grantee should obtain corrections from the title company before engaging the appraiser. The grantee should not address errors in the PTR by having the appraiser make an extraordinary assumption or rely on a hypothetical condition that is contrary to the information in the PTR (see Section 13, As-is Market Value Appraisals).

If the legal description in the PTR does not describe the property intended for purchase, then: (1) the OWEB grantee should inform their selected appraiser that the legal description includes additional property owned by the seller; (2) the grantee should provide the appraiser with the legal description of the property intended for purchase as prepared by a qualified person or, if such legal description has not yet been prepared, provide the appraiser with sufficiently accurate maps and land sizes to identify the property intended for purchase, and in cases of a before and after appraisal, the same information as related to the after condition; and (3) the grantee should provide the appraiser with a comprehensive description of the land use actions that must occur to create a discrete legal parcel for purchase by the grantee. During the time the appraisal is being prepared, if the legal description becomes available for the property intended for purchase, the grantee should provide the appraiser with the legal description, for inclusion in the appraisal report.

5. Consultation with OWEB Review Appraiser

Any appraiser preparing a report for use by OWEB after the grant application deadline **must** contact the OWEB Review Appraiser before beginning work 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.

It is highly recommended, but not required, that appraisers preparing reports prior to the grant application deadline also consult with the OWEB review appraiser, if the client is certain that they will submit an OWEB grant application.

6. 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 the OWEB Review Appraiser as needed to obtain an approvable report. In addressing any corrections requested, the report's principal appraiser will be required to communicate directly with the OWEB Review Appraiser.

OWEB may share review appraisals with match funders, if the engagement letter also states that the match funders are intended users of the appraisal.

7. 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.

8. Appraisal Standards

If federal funds will be used for the property purchase, a UASFLA appraisal is typically required. Otherwise, the report must be written to USPAP standards using OWEB's supplemental reporting standard (see Section 22 below). The supplemental reporting standard applies 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.

9. Coastal Wetlands Appraisal Requirements

If federal funds from the USFWS Coastal Wetlands Program will be used for the acquisition, the appraiser must comply with OWEB's appraisal guidelines and follow the current, relevant USFWS assignment conditions for a USPAP or USPAP/UASFLA conforming appraisal.

The OWEB grantee's supplemental assignment instructions must include USFWS 520 FW 7, Exhibit 1a, *Assignment Conditions for An Appraiser*.

It is important for OWEB grantees and appraisers to be aware that USFWS requires OWEB to obtain legal instructions from the Oregon Department of Justice (DOJ) if **any** hypothetical condition will be included in an appraisal of a property proposed for Coastal Wetlands funding. OWEB must also obtain legal instructions from DOJ if the ownership interests in all parts of the potential larger parcel, determined as required by UASFLA, are not identical. These requirements make it necessary for the appraiser to consult with the OWEB review appraiser before starting work and receive preapproval of all hypothetical conditions and larger parcel determinations.

10. Scope of Work

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

11. Date of Valuation

The date of valuation should be the date of final inspection. OWEB grantees are encouraged to ensure that the date of valuation is no more than 60 days apart from the date of the appraisal report. Furthermore, the report delivery date should be no more than 120 days from the date of the report.

12. Property Inspection

The appraiser must make an onsite inspection of the appraised property. Giving the property owner, or property owner's representative, the opportunity to accompany the appraiser on the property inspection is required by UASFLA and OWEB supplemental standards.

13. "As-is" Market Value Appraisals

OWEB requires that appraisals must be "as-is" market value appraisals using all applicable approaches to value. Therefore, any assignment conditions, or "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 16 below). Preapproval of this hypothetical condition is required only if the project will be funded by the Coastal Wetlands Program.

14. 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 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.

15. Partial Acquisition 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 determining 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.

16. 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.
- All other documents pertaining to the property’s conditions and anticipated uses under the conservation easement including, but not limited to, wetland inventories if any, draft baseline inventory documentation, the draft management plan or management plan outline, easement zone maps, and zone acreages should be provided to the appraiser.
- Comparable sales used in the “after” valuation should be properties similarly encumbered, if possible. A larger geographic search is typical.

17. Property Photographs and Maps

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 not visited the property.

18. 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 cannot be accepted. 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.

19. 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 UASFLA Sections 4.4.2.4 and 4.4.2.4.2(5), (6) and (7). If market data is limited in the market area of the subject property, it may be necessary for the appraisal to include additional market analysis to support the highest and best use conclusion.

20. Analysis of Agreements Impacting the Subject Property

The appraiser must analyze and report all listings of the subject property, and all agreements of sale and options, including any such agreements into which a grantee has entered, all 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.

21. 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 Part 2, Appraisal Reporting of the 2016 UASFLA. Appraisal reports submitted to OWEB must be in final form and signed by the appraiser.

If a grantee receives an appraisal, and before transmitting it to OWEB, obtains any revision to any portion of the appraisal, including the cover letter, for any reason, the grantee must submit all versions of the appraisal to OWEB, accompanied by a written summary of the revisions requested of the appraiser. Additionally, if a grantee's contractual agreement with an appraiser includes the appraiser first providing a draft appraisal to the grantee for review, all such draft appraisals, whether signed or unsigned, must be submitted to OWEB together with the final appraisal.

22. 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 subsequent reporting definitions in the 2014-2015 USPAP and later versions thereof. UASFLA reports must meet the standards described in Part One (Appraisal Development) and Part Two (Appraisal Reporting). Areas that are sometimes overlooked but are expected in a 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

¹ The Appraisal of Real Estate, 15th Edition, Appraisal Institute, 2020

- 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
- 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 using 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, floodplain, or bottomland, etc. Other common allocations include home sites, residences, and outbuildings.

23. 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.

24. 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

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.

- 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 is 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

25. 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.