

Part 519 – Farm and Ranch Lands Protection Program

Subpart J – Exhibits

519.105 Technical Appraisal Review Specifications

TECHNICAL APPRAISAL REVIEW SPECIFICATIONS FOR APPRAISALS OF REAL PROPERTY FOR THE FARM AND RANCH LANDS PROTECTION PROGRAM (FRPP)

A. Background Information

The United States of America, acting through the United States Department of Agriculture's Natural Resources Conservation Service (NRCS) is considering purchasing an easement to assist the landowner in protecting privately owned land on a farm or ranch by protecting the agricultural use and related conservation values and limiting non-agricultural use of the property. Eligible land includes cropland, rangeland, grassland, pasture land, and forest land provided the forested acreage does not exceed two-thirds of the easement acreage. These lands may ultimately be placed under a conservation easement using the FRPP of NRCS.

All appraisal reviews completed for this program must comply with Uniform Standards of Professional Appraisal Practice (USPAP), Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), as applicable, and appraisal instructions issued by NRCS. The reviewer must verify with the client the date of the cooperative agreement the appraisal was completed under to establish the requirements which the appraisal and review are to be completed to.

B. Review Appraiser Qualifications

Review appraisers must be State-certified general real property appraisers and be in good standing with the licensing authority where the credential was issued. The review appraiser must have demonstrated competency in compliance with USPAP in conducting appraisal reviews of agricultural properties with and without conservation easements of the requested type. All reviewers must provide documentation of appraisal education courses attended including eminent domain or conservation easements courses, at least 40 hours of training in conducting technical reviews and UASFLA (Yellow Book) for Yellow Book reviews must be provided by the review appraiser in the review report.

C. Purpose of the Appraisal Review Reports

(1) **FOR YELLOW BOOK APPRAISALS:** The purpose of the technical appraisal review report is to provide an opinion of the acceptability of the appraisals that provide a market value of the subject property (larger parcel) before acquisition of an easement (*before* value) and an opinion of market value of the subject property remaining after the proposed easement has been placed (*after* value) as of the date of execution of the cooperative agreement between the entity and USDA/NRCS minus any adjustments for excess irrigation water to arrive at the effect on value of the easement. The appraisals and technical review must be completed in compliance with Uniform Standards of Professional Appraisal Practice, Uniform Appraisal Standards for Federal Land Acquisitions and NRCS instructions. For the purpose of these appraisal reviews, the Federal rules for acquisition will be used.

- (i) The purpose of two opinions of value is to establish the effect on value resulting from imposition of a conservation easement. A key concept in this appraisal process is defining the larger parcel, which is required to begin the appraisal process.
 - (ii) The following market value definition that will be used in developing and reporting this assignment is the definition as stated in the Yellow Book:
 - (iii) “Market value is the amount in cash, or in terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal.”
 - (iv) **No other definition of market value is acceptable for Yellow Book appraisals.**
- (2) **For USPAP Appraisals:** The purpose of the appraisals is to provide an opinion of market value, as defined below, of the proposed easement area before placement of the easement and a USPAP appraisal of the proposed easement area as if the easement is in place in a self-contained report format. The difference between these two values will be the effect of the easement on the subject property. The appraisals must be completed in compliance with Uniform Standards of Professional Appraisal Practice and appraisal instructions issued by NRCS.

The following market value definition will be used in developing and reporting this assignment:

- “Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby—
 - Buyer and seller are typically motivated.
 - Both parties are well informed or well advised and acting in what they consider their own best interests.
 - A reasonable time is allowed for exposure to the open market.
 - Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
 - The price represents the normal considerations for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
- No other definition of market value is acceptable for USPAP appraisals.
- A separate technical appraisal review report of each appraisal report will be conducted if two or more appraisals have been requested.

D. Scope of Work

- (1) The scope of work is a desk technical review to assure the appraisal meets the definition of appraisal as required, examine the appraisals to assure that they meet applicable appraisal requirements, which include USPAP, UASFLA, as applicable to the appraisal assignment, and appraisal instructions issued by NRCS. The technical appraisal review report must comply with USPAP Standard 3, UASFLA, and appraisal instructions issued by NRCS and must be typewritten and dated and signed

by the reviewer. All items contained in Standard 3 of USPAP must be documented by the review appraiser in the technical appraisal review report. The appraisal reviewer will be required to make a determination as to the acceptability of the appraisal in accordance with instruction provided to the appraiser and these instructions.

- (2) The review appraiser may be instructed to express their own opinion of value. This determination will be made on a case by case basis by the authorized official and will be included in any work order.
- (3) The review appraiser will determine if the appraisal is approved or not acceptable.
- (4) If the review appraiser determines the appraisal report is approved, the review appraiser will set forth in the review report the recommended value, if the appraisal report complies with the assignment standards, adequately supports the value estimate, complies with contract requirements and for Yellow Book appraisals specifically, documents any damages or benefits to any remaining property.
- (5) If the review appraiser determines the appraisal report is not acceptable, the review appraiser will provide the NRCS State contact with the reasons the appraisal report was not acceptable in the appraisal review report. The NRCS State contact will determine if the appraiser should be contacted, and determine if the appraisal report should be returned for corrections or if a new appraisal should be ordered. The review appraiser may be instructed to work with the appraiser to obtain an acceptable appraisal in an advisory role. If the review appraiser does not approve the appraisal, the transaction closing will not take place. The NRCS State office will notify the NHQ staff appraiser when a technical report has been determined not acceptable after any corrections were made to the original appraisal report. The NHQ staff appraiser will review annually a minimum of 10 percent of the State's technical review reports for compliance with NRCS appraisal standards.
- (6) ***The review appraiser must obtain a copy of the listed standards at their own expense and have them available during any technical review for reference.***
 - (i) Not Approved
 - If, after diligent documented efforts have been made to get the needed support and improvements, the appraisal report still does not meet acceptable standards and the value estimate is not adequately supported, the review appraiser may disapprove or reject an appraisal report. Rejection indicates particular problems of integrity. The review appraiser must clearly show why the appraisal report is inadequate.
 - Ultimate disapproval of a contract appraisal report because, in the review appraiser's opinion, the value estimate is unsupported or not supported strongly enough, does not constitute "rejection" for contract payment purposes if the contractor has complied with the contract specifications.
 - Recommending a second appraisal to confirm, support, or replace an unapproved appraisal report does not constitute rejection. If, however, the second report supports a significantly different value estimate and that report is ultimately approved, this effectively disapproves the previous appraisal report(s).
 - No appraisal should be "rejected" unless it is in violation of appraisal principles and standards, agency or departmental regulations or directives, is inconsistent with facts, or asserts unsupported conclusions.
 - Appraisals will not be rejected and fee withheld unless the report clearly and flagrantly does not comply with the appraisal specifications.
 - (ii) Limitations

- The review appraiser may not change an appraisal report, except for minor mathematical or typographical errors, and must call those minor changes to the appraiser's attention. No one, except the original appraiser, is permitted to edit or otherwise revise the original appraisal report.
 - The review appraiser may not substitute personal judgment for that of the appraiser, nor dismiss careful appraisal judgment solely because it cannot be supported by conclusive market data. However, the review appraiser may question the appraiser's judgment when it is illogical, unreasonable, not supported by data cited, or is inconsistent with other data.
 - The review appraiser must not allow agency goals or adversarial pressure to influence the reviewer's opinion of an appraisal report's value estimate. In addition, the review appraiser's personal opinion regarding the proposed action must not influence the review process.
 - The review appraiser must not attempt to influence the appraiser's judgment or direct the appraiser toward a value estimate. The only effort should be to obtain a properly supported value estimate based on factual evidence and valid analysis of all facts available through use of approved appraisal approaches and techniques. Minor technical nonconformance with UASFLA and the USPAP should not be the cause of rejection of an appraisal report unless the deficiencies affect the reliability of the value estimate.
- (7) **UASFLA and USPAP Conflicts:** Conflicts between UASFLA and USPAP are minimal. When there is conflict, UASFLA takes precedence. It may be necessary to invoke the jurisdictional exception rule to USPAP to meet certain standards of the UASFLA. The jurisdictional exception rule should never be invoked lightly and must include citation of the overriding Federal policy, rule, or regulation that requires it.

E. Background for the Appraisal Review Report

- (1) Client is USDA/NRCS and or (entity name).
- (2) Intended user is USDA/NRCS and or (entity name) unless otherwise directed by the client.
- (3) Intended use will be for USDA/NRCS determination of acceptability of the appraisals for use in consideration in determining the effect on value of the easement for lands entering into FRPP.
- (4) Property rights to be appraised will be surface rights, improvements such as homes, barns, hay sheds and fencing, timber, orchards or other permanent plantings, and any irrigation water rights. The irrigation water rights include wells, ditches, reservoirs, ponds, and lakes that provide irrigation on the subject property and are legally permitted. Crop base and allotments that are located on the subject property must be clearly identified in both the before and after condition. The value of any marketable standing timber that could be economically harvested must be considered by a timber cruise and included in any valuations. Other permanent plantings that are located on the subject property must be appraised and included in any valuations. Any irrigation equipment such as pivot sprinklers, moveable pipe, tow lines, etc. that are located in the proposed easement area must be excluded from the valuation.
- (5) If irrigation rights are included in the easement area, documentation provided by NRCS must identify the volume of irrigation water rights to be retained for the subject property as necessary to ensure the function of the farmland/ranchland operation and other agricultural conservation values. This volume must also be documented in the conservation plan and easement baseline inventory report exhibit attached to the conservation deed. Irrigation water rights that are legally owned and

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used on the proposed subject property must be described and valued in the appraisal. The appraiser must document if any portion these irrigation water rights can be removed from the subject property or not. If the irrigation water rights can be removed from the property, the appraiser must provide a value opinion of the value of each irrigation water right. The appraiser will consider only the irrigation water rights required to be retained on the subject property as identified by NRCS.

- (6) A copy of the work order to the appraiser, appraiser instructions, and all related information will be provided to the review appraiser by the Agency.
- (7) All technical appraisal reviews are subject to a review for compliance with the applicable instructions by NRCS/NHQ.
- (10) The effective date of the technical review will be the effective date of the appraisal.
- (11) The review appraiser may use jurisdictional exceptions when completing the technical review of Yellow Book appraisals when compliance with part or parts of USPAP is contrary to law or written public policy applicable to the assignment.
- (12) Technical review reports must be completed and submitted on 8.5-inch by 11-inch paper.
- (13) Technical review reports must contain a table of contents and sequentially numbered pages, including an addenda.
- (14) The technical appraisal reports must be in typewritten, automated, or computerized forms.
- (15) The review appraiser must document whether the analysis and documentation contained in the appraisals supports the opinion of value arrived at by the appraiser.
- (16) The technical review format must be as shown in Exhibit 1.

Exhibit 1

Technical Appraisal Review Report

Appraisal Review of _____ [property]

Prepared by _____ [name, title, unit]

This technical appraisal review report is presented in four sections: (1) Appraisal Report Summary, (2) Appraisal Review Purpose, Scope, and Intended Use, (3) Reviewer’s Analysis, Comments, and Conclusions, and (4) Reviewer’s Certification.

For Yellow Book Appraisals: As a result of my review, I [approve or disapprove] the appraisal report that concludes an opinion as of ___ [date] ___, the market value of the larger parcel before conveyance of the partial interest is \$_____, and the market value of the remainder after conveyance of the partial interest is \$_____.

By: ___ [signature] _____

Print Name _____

Printed Name and Professional Accreditation

State Certification # _____

For USPAP Appraisals: As a result of my review, I [approve or disapprove] the appraisal report that concludes an opinion as of ___ [date] ___, the market value of the subject parcel before conveyance of the partial interest is \$_____, and the market value of the subject parcel after conveyance of the partial interest is \$_____.

By: ___ [signature] _____

Print Name _____

Printed Name and Professional Accreditation

State Certification # _____

Identify type of value such as market, investment, or other value, and identify and give estimated contributory values for major components such as land, timber, improvements, damages, and benefits.

Any extraordinary assumption or hypothetical condition of the appraisal report or the appraisal review report must be recited here.

Section 1: Appraisal Report Summary

Each must be completed from information in the appraisal report. If the assignment required no extraordinary assumptions, jurisdictional exceptions, or hypothetical conditions, state so.

Owner of Record.

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- a. Estate Appraised.
State the ownership interest as fee, leased fee, or partial interest and reference the specific title document or land status report. If the estate appraised is subject to any reservations, outstanding rights, or other encumbrances, state them briefly here and fully in Section 3.(a).
- b. Legal Description.
Identify the survey and land description verification.
- c. Property Characteristics.
Provide a brief overview of the significant physical, legal, and location characteristics of the property.
- d. Larger Parcel Determination.
- e. Extraordinary Assumption or Hypothetical Conditions.
Identify the source of the written instructions.
- f. Highest and Best Use or Permitted Use.
- g. Date of the Appraisal Report.
- h. Date of Appraisal.
- i. Appraiser.
- j. Value (valid through _____).

Section 2: Appraisal Review Process

- a. Client and Intended Users.
- b. Intended Use.
- c. Purpose of the Review Assignment.

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2. FOR USPAP APPRAISALS: The purpose of the appraisals is to provide an opinion of market value, as defined below, of the proposed easement area before placement of the easement and a USPAP appraisal of the proposed easement area as if the easement is in place in a self-contained report format. The difference between these two values will be the effect of the easement on the subject property. The appraisals must be completed in compliance with Uniform Standards of Professional Appraisal Practice and appraisal instructions issued by NRCS.

d. Scope of Work.

Describe work the reviewer did with the property before the appraisal, knowledge of any other appraisals that you returned or reviewed, property and comparable property inspection, sale verification, additional data and information procured, analytical methods applied, and what standards were followed. If the appraiser revised the appraisal during this review, at your request, describe the extent of the revision process. Any analytical work or support documents must be retained in the reviewer's work file.

Section 3: Reviewer's Analysis, Comments, and Conclusions

The purpose of this section is to report the reasons and provide support for the reviewer's conclusions and explain discrepancies and disagreements. This section should be written in a detailed narrative format that clearly achieves the standards found in UASFLA Part C and USPAP SR 3-2(d). What follows is an outline of substance to be considered for the narrative.

- a. Present your opinion of the adequacy to which the appraiser followed appraisal instructions, including value definition, sales verification, extraordinary assumptions and hypothetical conditions, hazardous material conditions, estate appraised, legal description used, and general specifications followed.
- b. Analyze and describe adequacy and appropriateness of appraiser's larger parcel determination.
- c. Analyze and describe adequacy and appropriateness of appraiser's highest and best use determination. Comment whether an economic analysis was appropriate and carried out correctly. Compare subject and sales for consistency of highest and best use; compare subject zoning and land use regulations with appraiser's analysis of legal property uses; explain reasons of agreement or disagreement with highest and best use conclusion.
- d. Analyze and describe adequacy of appraiser's analysis of previous sale of subject property.
- e. Review and describe adequacy and appropriateness of valuation approaches selected.
- f. Review and describe adequacy of treatment of contributory values of minerals, water, timber, improvements, personal property, and intangibles.

- g. Review and describe appropriateness of sale data stratification, review methods and accurateness of sales analysis, adjustments to sales, and value indications obtained from sales.
- h. Review for reasonableness and accuracy all assumptions and data in the cash flow analysis of the income approach and analyze for appropriateness the market extracted rate applied to the subject cash flow. Ensure the appropriateness of computer software used in sales, income, and statistical analysis.
- i. Explain and conclude as to the reasonableness and appropriateness of the overall appraisal methods used and support presented. State whether the appraisal report is approved or disapproved. If other than approved, summarize the principal reasons for your action.

Section 4: Reviewer Certification

The italic words need to be changed for the circumstances and reviewer.

I certify that, to the best of my knowledge and belief:

- The facts and data reported by the reviewer and used in the review process are true and correct.
- The analysis, opinions, and conclusions in this review report are limited only by the assumptions and limited conditions stated in this review report and are my own personal, impartial, and unbiased professional analysis, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved in this assignment.
- My engagement on this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, and conclusions in this review or from its use.
- My analysis, opinions, and conclusions were developed and this review report was prepared in conformity with the NRCS appraisal instructions and appraisal review instructions, the *Uniform Standards of Professional Appraisal Practice (for USPAP appraisals as applicable)*, and the *Uniform Appraisal Standards for Federal Land Acquisitions (for Yellow Book appraisals as applicable)*.
- My report preparation and presentation conforms to the requirements of the Code of Professional Ethics and Standards of [*applicable professional organizations*].
- I am a member of the [*applicable professional organizations*] and am current on all continuing education requirements through [*date*].

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- I [*have or have not*] made a personal inspection of the subject property under review.
- [*Name of professional or no one*] provided significant appraisal, appraisal review, or appraisal consulting assistance to the person signing this certification.

Reviewer

Date of Review

General Certification *Number and State and expiration date when required by State.*

Title

Attach Qualification Statement for the Reviewer.