Technical Appraisal Review Specifications for Appraisals of Real Property for the Wetlands Reserve Program (WRP)

A. Background Information

1. The United States of America, acting through the United States Department of Agriculture’s Natural Resources Conservation Service (NRCS) is considering purchasing an easement under the Wetlands Reserve Program (WRP). The purpose of the WRP easement is to assist the landowner in protecting, restoring, and enhancing the original hydrology, native vegetation, and natural topography of eligible land. It also will restore and protect the functions and values of wetlands in the agricultural landscape, help achieve the national goal of no net loss of wetlands, and improve the general environment. These lands may ultimately be placed under a conservation easement through NRCS’s WRP.

2. All appraisal reviews completed for this program must comply with Uniform Standards of Professional Appraisal Practice (USPAP) and contracting and appraisal instructions issued by NRCS. The technical appraisal review reports will be completed consistent with USPAP.

B. Review Appraiser Qualifications

The technical review appraiser must be a State-certified, general real-property appraiser, in conformance with title XI of the Financial Institution’s Reform, Recovery and Enforcement Act of 1989 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 and reviewing appraisals of agricultural properties of the requested type. The review appraiser must provide the contracting official with documentation of appraisal education courses attended, including at least 40 classroom hours of training in performing technical appraisal reviews.

C. Purpose of the Appraisal Review Reports

1. The purpose of the technical appraisal review is to provide an opinion of the acceptability of the appraisals that provide a market value of the subject property as of a current date of value, minus any adjustments for excess irrigation water as stated in appraisal specifications. The appraisals, technical reviews, and technical review reports must be completed in compliance with USPAP and appraisal instructions issued by NRCS.

2. The technical review appraiser must clearly identify the timeframe, not to exceed 12 months, within which the appraisal report is usable for the intended purpose. The expiration date of all NRCS-approved appraisals must be based upon market trends, as reflected in the appraisal report. No appraisal report may be used as the basis of any
transaction if it does not represent current market conditions and values as of the date of the offer.

3. The technical review appraiser must prominently state in the review report any crop base acres and allotment history that are located in the easement area and if they were included in the appraisal.

4. The market value definition that will be stated and used in developing and reporting this assignment is as follows:

5. “Market value” means the most probable price that 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—

   a. Buyer and seller are typically motivated.
   b. Both parties are well informed or well advised, and are acting in what they consider their own best interests.
   c. A reasonable time is allowed for exposure to the open market.
   d. Payment is made in terms of cash in U.S. dollars or comparable financial arrangements.
   e. 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.

D. Scope of Work

1. The scope of work is a desk technical review to ensure the appraisal meets the definition of “an appraisal.” The review also examines the appraisals to determine compliance with applicable requirements, which include USPAP and NRCS appraisal instructions. The technical appraisal review will comply with USPAP Standard 3 and with NRCS appraisal instructions. It must be typewritten, with pages numbered, dated, and signed by the technical reviewer. The technical review appraiser will be required to determine the appraisal’s acceptability, in accordance with NRCS appraisal instructions. For the purposes of NRCS, the appraisal will be either approved or not approved.

2. The review appraiser may be instructed to express his or her 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 approved.

4. If the review appraiser determines that the appraisal report is approved, he or she will report the approved value and document the technical appraisal reviewer’s opinion in the review report including that the value estimate is strongly supported and complies with
all contract specifications. Any corrections or revisions by the appraiser are deemed insignificant in the technical appraisal reviewer’s opinion and will not affect the values identified in the appraisal report.

5. If the review appraiser determines that the appraisal report is not approved, the contracting officer will provide the National Headquarters (NHQ) staff appraiser with a copy of both the appraisal and technical appraisal reports. The NHQ staff appraiser will determine whether the appraiser or technical reviewer should be contacted and by who, and will 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 Form NRCS-LTP-31, “Agreement for the Purchase of Conservation Easement” (APCE) or Form NRCS-LTP-40, “Agreement to Enter Contract for 30-Year Land Use” (AECLU), will not be signed until an approved appraisal report is obtained for the offered property.

6. The review appraiser must obtain a copy of the listed standards at his or her expense and have them available for reference during any technical review.

7. Not Approved
   a. Any appraisal report revisions required by either the technical or administrative reviewer must be completed and returned to the Government not later than the 14th calendar day after receipt, as verified. NRCS will submit revised appraisal reports to the technical reviewer no more than three times. If, after the third submission, the report is still found to be unacceptable, the report will be rejected, disapproved, or both. The review appraiser will clearly show why the appraisal report is inadequate.

   b. Rejection.—The appraisal report will be rejected when it violates appraisal principles and standards or agency or departmental regulations or directives, is inconsistent with facts, or asserts unsupported conclusions. It also would be rejected if the technical review appraiser finds the appraisal report illogical, unreasonable, not supported by data cited, or inconsistent with other data. Rejection indicates particular problems of integrity. Minor technical nonconformance with the USPAP should not be cause for rejecting an appraisal report unless the deficiencies affect the reliability of the value estimate. Fees will be withheld if the report clearly and flagrantly does not comply with the contract specifications.

   c. Disapproval.—If, in the technical appraisal reviewer’s opinion, the value estimate is unsupported or not supported strongly enough the report will be disapproved. NRCS reserves the right to order a second appraisal to confirm, support, or replace the original appraisal report. If the second report supports a significantly different value estimate — and the second report is ultimately approved — this determination effectively rejects the original appraisal report, and NRCS will withhold payment.

8. Limitations
   a. The technical review appraiser may not change an appraisal report, except for minor mathematical or typographical errors, and must call those changes to the
apraiser’s attention. No one, except the original appraiser, is permitted to edit or otherwise revise the original appraisal report.

b. The technical review appraiser may neither 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 technical review appraiser may question the appraiser’s judgment when it is illogical, unreasonable, not supported by data cited, or is inconsistent with other data.

c. The technical review appraiser must not allow agency goals or adversarial pressure to influence the reviewer’s opinion of an appraisal report’s value estimate. The technical review appraiser’s personal opinion regarding the proposed action also must not influence the review process.

d. The technical 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 USPAP or appraisal instructions should not cause nonapproval of an appraisal report unless the deficiencies affect the reliability of the value estimate.

E. Background for the Technical Appraisal Review Report

1. The client is USDA/NRCS.

2. The intended user is USDA/NRCS.

3. The intended use is for USDA to determine the acceptability of the appraisal for use in considering lands entering into WRP.

4. The property rights to be appraised will be surface rights, timber, orchards or other permanent plantings, improvements, and any irrigation water rights. The irrigation water rights include owned wells, ditches, reservoirs, ponds, and lakes that provide irrigation on the subject property and are legally permitted. The value of any standing marketable timber that could be economically harvested will be determined by a timber cruise and included in any valuations. Other permanent plantings on the subject property will be appraised and included in any valuations. Any building improvements and irrigation equipment, such as pivot sprinklers, moveable pipe, tow lines, etc., in the proposed easement area will be excluded from the valuation.

5. If irrigation rights are included in the easement area, documentation provided by NRCS will identify the volume of irrigation water rights to be retained for the subject property, as necessary, to ensure the function of the wetland operation and other wetland conservation values. This volume will also be documented in the Water Rights and Water Use exhibit to the Warranty Easement Deed or 30-Year Contract
for Land Use. Irrigation water rights that are owned and used on the proposed subject property will be valued in the appraisal.

The appraiser will document whether or not any portion of these irrigation water rights can be removed from the subject property. If the irrigation water rights can be removed from the property, the appraiser will 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. The agency will provide the review appraiser with a copy of the appraiser work order, appraiser instructions, and all related information.

7. All technical appraisal reviews are subject to further review by NHQ for compliance with the applicable instructions.

8. The technical review appraiser must prominently state any crop base acres and allotment history that are located in the easement area or moved to another parcel, as identified in the appraisal, and whether the value of the crop base acres were included in the appraisal.

9. All technical appraisal review reports must clearly identify the timeframe, not to exceed 12 months, within which the appraisal report is usable for the intended purpose. The expiration date of all approved appraisals must be based on market trends, as reflected in the appraisal report. No appraisal report may be used as the basis of a transaction if it does not represent current market conditions and values as of the date of the offer.

10. The effective date of the technical review will be the date of the appraisal.

11. Only technical review reports completed and submitted on 8½- by 11-inch paper will be accepted.

12. Technical review reports must contain a table of contents and sequentially numbered pages, including addenda.

13. The technical appraisal reports must be in typewritten, automated, or computerized forms.

14. The review appraiser will document whether the analysis and documentation contained in the appraisals support the appraiser’s opinion of value.

15. The technical review format will 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: appraisal report summary; appraisal review purpose, scope, and intended use; reviewer’s analysis, comments, and conclusions; and reviewer’s certification.

As a result of my review, I [approve or disapprove] the appraisal report that concludes an opinion that as of [date], the fair market value is [value].

By: [signature]

Print Name [Printed Name and Professional Accreditation]

State Certification No.: [Number]

Identify type of value (such as market, investment, or other), and provide 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, so state.

a. Owner of Record

b. Estate Appraised
State the ownership interest as fee, leased fee, or partial interest, and refer to 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 3a.

1. Legal Description
Identify the survey and land description verification.
2. Property Characteristics
   Provide a brief overview of the significant physical, legal, and location characteristics of the property.

3. Extraordinary Assumption or Hypothetical Conditions
   Identify the source of the written instructions.

4. Highest and Best Use or Permitted Use

5. Date of the Appraisal Report

6. Date of Appraisal

7. Appraiser

8. Value (Valid Through __________)

Section 2: Appraisal Review Process

a. Client and Intended Users

b. Intended Use

c. Purpose of the Review Assignment
   For example: to judge the appraisal report’s compliance with USPAP and NRCS appraisal instructions, and to develop a credible opinion of the data’s adequacy and the appropriateness of the analysis of the data relative to the final conclusions.

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 will 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 USPAP SR 3-2(d). The following should be considered for the narrative.

   a. Present your opinion on the adequacy of the appraiser’s following appraisal instructions, including value definition, sales verification, extraordinary assumptions
and hypothetical conditions, hazardous material conditions, estate appraised, legal
description used, and general specifications.

b. Analyze and describe the adequacy and appropriateness of the appraiser’s
determination of highest and best use. Comment on 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, and explain reasons of agreement or
disagreement with highest and best use conclusion.

c. Analyze and describe the adequacy of the appraiser’s analysis of previous sale of
subject property.

d. Review and describe the adequacy and appropriateness of valuation approaches
selected.

e. Review and describe the adequacy of treatment of contributory values of minerals,
water, timber, improvements, personal property, and intangibles.

f. Review and describe the appropriateness of sale stratification, review methods,
and accuracy of sales analysis, adjustments to sales, and value indications obtained
from sales.

g. 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.

h. Explain and draw conclusions on the reasonableness and appropriateness of the
overall appraisal methods used and the 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

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
  impartial and unbiased professional analyses, opinions, and conclusions.

- I have no present or prospective interest in the property that is the subject of this
  report 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 USPAP and NRCS appraisal instructions.

• 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].

• I [have or have not] made a personal inspection of the subject property under review.

• [Write the name of the professional or write “no one”] provided significant appraisal and appraisal review assistance to the person signing this certification.

Reviewer ___________________________________________ Date of Review ______________________

[General certification number and State and expiration date when required by the State.] __________________________

[Title] _____________________________________________

Attach Qualification Statement for the reviewer.