

TECHNICAL APPRAISAL REVIEW SPECIFICATIONS FOR APPRAISALS OF REAL PROPERTY

A. BACKGROUND INFORMATION

The United States of America, acting through the United States Department of Agriculture Natural Resources Conservation Service (NRCS) administers a number of conservation easement programs through which NRCS provides funds to protect, preserve, restore, and maintain farm lands, ranch lands, grassland, floodplains, wetlands, forestlands, and other natural resources. NRCS programs protect these resources in numerous ways: by providing eligible entities with cost-share assistance to purchase easements protecting eligible lands from conversion to nonagricultural uses thereby preserving valuable farm and ranch lands for future generations; through direct easement purchase from eligible landowners to protect, restore, and maintain wetlands and associated habitats or forest lands to promote water quality, the recovery of endangered and threatened species, improved plant and animal biodiversity, and enhanced carbon sequestration; and by removing threats to life and property that remain in the nation's watersheds in the aftermath of natural disasters and preventing future disasters. These objectives are accomplished through NRCS easement acquisition procedures for the Agricultural Conservation Easement Program Agricultural Land Easement component (ACEP-ALE), Agricultural Conservation Easement Program Wetland Reserve Easement component (ACEP-WRE), Farm and Ranch Lands Protection Program (FRPP), Wetlands Reserve Program (WRP), Emergency Watershed Protection Program Flood Plain Easements (EWPP-FPE), Healthy Forest Reserve Program (HFRP), and Grassland Reserve Program (GRP). Each easement program has specific goals, objectives, and specific real property appraisal specifications because of the interests the USA holds and manages.

All appraisals completed for these programs (easement appraisals) must comply with the Uniform Standards of Professional Appraisal Practice (USPAP) and the NRCS appraisal specifications that pertain to the applicable NRCS easement program. For FRPP and ACEP-ALE may at the discretion of the eligible entity, also conform to the Uniform Appraisal Standards for Federal Land Acquisitions as applicable (UASFLA, i.e. Yellow Book). The easement appraisal is presented in an appraisal report that includes the level of detail necessary to thoroughly explain and support the property description, highest and best use analysis, market characteristics, adjustment process and all conclusions so that all reviewers and NRCS users have an adequate understanding of the statements, opinions and conclusions offered within the report.

Technical appraisal reviews (technical reviews) will be completed according to the requirements for the appropriate easement program. The technical appraisal review will certify compliance with applicable industry standards, NRCS appraisal specifications, and program related requirements concerning the completion of the easement appraisal.

Under ACEP-ALE and FRPP, NRCS provides funding to an eligible entity to acquire a conservation easement. ACEP-ALE and FRPP eligible entities generally only require a before and after USPAP appraisal of the proposed easement area. However, in some instances the eligible entity will order a UASFLA i.e. Yellow Book appraisal. Since easement appraisals for the ACEP-ALE and FRPP are ordered by eligible entities, the easement appraisal will show the eligible entity as the client and must show NRCS as an intended user. Some EWPP-FPE and GRP appraisals are also acquired by partners. In those instances, the partner will be shown as the client with NRCS as an intended user.

All other easement appraisals are ordered by NRCS, which is the client, and will be completed according to the applicable appraisal instructions and specifications for the program involved with the appraisal.

B. REVIEW APPRAISER QUALIFICATIONS

Any real property appraisal reviewer (review appraiser) performing technical reviews 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. The review appraiser must be in good standing with the licensing authority where the applicable credential was issued and must not have had any disciplinary action taken by the licensing authority. Review appraisers must have demonstrated competency in compliance with USPAP and UASFLA in conducting and reviewing appraisals both with and without conservation easements of the requested type and must have completed at least 40 hours of coursework in conducting technical appraisal reviews. In addition, review appraisers must complete a Yellow Book course and a course in either valuation of conservation easements or eminent domain. These qualifications apply to any review appraiser providing services, whether employed by the contractor or any subcontractor.

C. PURPOSE OF THE TECHNICAL REVIEW REPORTS

The review appraiser must document the results of his or her technical appraisal review in a technical review report, which constitutes the primary deliverable. The required components and format for the technical review report are described in detail at the end of this document.

1. USPAP APPRAISALS: The purpose of the technical review report is to provide an opinion of the acceptability of the USPAP appraisal that provides a supported market value of the proposed easement as follows:

- (a) For WRP or ACEP-WRE only: Market value appraisals provide the "as is" or current market value of the property on which the WRE easement will be placed. The appraisal is completed in compliance with USPAP and NRCS WRE appraisal specifications.
- (b) For all non-WRE enrollments (ACEP-ALE, EWPP-FPE, FRPP, GRP, HFRP): Conservation easement appraisals are "before and after" appraisals. The appraisal provides the market value of the easement property before the easement is placed and the market value of the easement property after the easement is placed on the property. The difference in the two values is the indication of the effect of the easement on the property, or the value of the easement.

2. The easement appraisal reports used in NRCS easement programs require the level of detail necessary to thoroughly explain and support the property description, highest and best use analysis, market characteristics, adjustment process and all conclusions so that all reviewers and NRCS users have an adequate understanding of the statements, opinions and conclusions offered within the report. The easement appraisal reports and technical review report must be completed in compliance with USPAP and NRCS appraisal specifications.

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

"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 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 in terms of financial arrangements comparable thereto; and
- (f) 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 review report of each easement appraisal will be conducted if two or more easement appraisals have been requested.

3. YELLOW BOOK i.e. UASFLA APPRAISALS: The purpose of the technical review report is to provide an opinion of the acceptability of the easement appraisal that provides 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 a current date, minus any adjustments for excess irrigation water to arrive at the effect on value of the easement. The easement appraisal and technical review must be completed in compliance with USPAP, UASFLA and NRCS appraisal instructions. For the purpose of these technical appraisal reviews, the Federal rules for acquisition will be used.

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.

The market value definition that will be stated and used in developing and reporting this assignment is the definition as stated in the Yellow Book:

“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.”

4. No other definition of market value is acceptable for Yellow Book appraisals.

D. SCOPE OF WORK

The scope of work is a desk technical review and examination 1) to ensure the easement appraisal meets the definition of appraisal as required; 2) to ensure that it meets applicable NRCS appraisal requirements, which include Uniform Standards of Professional Appraisal Practice (USPAP), Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), as applicable; and 3) to ensure that it complies with all appraisal instructions issued by NRCS for the easement program proposed in the easement appraisal. The technical review report must comply with USPAP Standard 3; UASFLA, as applicable; and appraisal instructions issued by NRCS. It must be typewritten, dated, and signed by the review appraiser. All items contained in Standard 3 of USPAP must be documented by the review appraiser in the technical review report. The review appraiser must make a determination as to the acceptability of the easement appraisal in accordance with instructions provided to the appraiser and the instructions contained herein. The review appraiser may consult with the national appraiser (identified in attachment 1) at any time during the review process.

The review appraiser must obtain a copy of the listed standards at his or her own expense and have them available during the technical review for reference. NRCS appraisal specifications for the easement programs covered by this order are found in the program manuals listed in section F below.

The review appraiser will determine if the easement appraisal is approved or not approved.

If the easement appraisal cannot be approved initially when submitted, the review appraiser will contact

the appraiser and provide the appraiser the reasons the easement appraisal was not approved initially and permit the appraiser to make the necessary corrections or provide additional documentation to the easement appraisal. Minor typographical errors or issues that affect a few pages may be corrected through replacement pages. For more substantial corrections or where additional documentation is required, a supplemental report must be provided by the appraiser. The decision to have the appraiser provide corrected pages or a supplemental report is the responsibility of the review appraiser. The review appraiser must identify in the technical review report submitted to the NRCS ordering contracting officer (CO) all changes to the original easement appraisal made by the appraiser. The review appraiser must include correspondence received from the appraiser in the technical review report as an addendum.

If the easement appraisal report clearly does not meet the NRCS specifications and the review appraiser feels it cannot be easily corrected or the appraiser does not meet the qualifications, the review appraiser must contact the national appraiser to determine if the appraisal report can be disapproved without first contacting the appraiser.

1. Approved

If the review appraiser determines the easement appraisal is approved, the review appraiser must set forth in the technical review report the recommended value of the appraised property as well as a statement indicating the easement appraisal complies with the assignment standards, adequately supports the value estimate, and complies with contract requirements. The technical review report must document any corrections or changes that were implemented by the appraiser after submission of the initial easement appraisal.

2. Not Approved

If, after the review appraiser makes diligent, documented efforts to get the needed support and improvements from the appraiser, the easement appraisal still does not meet acceptable standards and the value estimate is not adequately supported, the review appraiser may not approve the easement appraisal. The review appraiser must clearly show why the easement appraisal is inadequate in the technical review report. The review appraiser may consult with the national appraiser before making a final determination, though such consultation is not required.

If the review appraiser determines the easement appraisal is not acceptable, he or she must indicate the reasons the easement appraisal was not acceptable in the technical review report. The technical review report must document any corrections or changes that were implemented by the appraiser after submission of the initial easement appraisal. The NRCS office that ordered the review will determine if the easement appraisal report should be returned to the appraiser for corrections or if a new easement appraisal should be ordered from a new appraiser.

3. Limitations

- a. The review appraiser may not change an easement appraisal, 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 easement appraisal.
- b. 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.

c. The review appraiser must not allow agency goals or adversarial pressure to influence his or her opinion of an easement appraisal's value estimate. The review appraiser's personal opinion regarding the proposed action must not influence the review process.

d. 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 the UASFLA, USPAP, or NRCS appraisal specifications and instructions should not be the cause of rejection of an easement appraisal unless the deficiencies affect the reliability of the value estimate; however, these minor technical nonconformance issues must be addressed in the technical review report.

e. UASFLA Appraisals – 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. Invocation of 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 TECHNICAL REVIEW REPORT

1. Client is USDA/NRCS.

2. Intended user is USDA/NRCS.

3. Intended use will be for USDA/NRCS determination of acceptability of the easement appraisals for use in consideration in determining the effect on value of the easement for lands entering into NRCS easement programs.

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. Crop base and or allotments will be clearly identified that are located on the subject property in both the before and after condition. The value of any marketable standing timber that could be economically harvested will be considered by a timber cruise and included in any valuations. Other permanent plantings that are located on the subject property will 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 will be included in 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 farmland or ranchland operation and other agricultural conservation values or meet restoration and habitat objectives. The irrigation water rights include wells, ditches, reservoirs, ponds, and lakes that provide irrigation on the subject property and are legally permitted. This volume will also be documented in the conservation plan and identified in an exhibit to the conservation deed. Irrigation water rights that are legally owned and used on the proposed subject property will be described and valued in the appraisal. The appraiser will 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 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 in the after valuation.

Irrigated units may have excess irrigation water rights in the after condition due to change in use of

the land. The value of these excess irrigation water rights, if they can be sold or leased, will be deducted from the difference between the unencumbered and encumbered values. This is necessary to determine compensation for rights obtained by the government and rights retained by the property owner.

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 NRCS for NRCS ordered appraisals.

7. All technical review reports are subject to a review for compliance with the applicable instructions by NRCS/NHQ.

8. All technical review reports must clearly identify the appraisal effective date and the timeframe, not to exceed 12 months, within which the easement appraisal is useable for the intended purpose. The effective date of the technical review report will be the effective date of the easement appraisal. The expiration date of all approved easement appraisals must be based upon the market trends as reflected in the easement appraisal. No easement appraisal 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 decision.

9. The review appraiser must prominently state in the technical review report any crop base acres and allotment history that are located in the easement area or moved to another parcel as identified in the easement appraisal.

10. 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.

11. Only technical review reports completed and submitted on 8½-by-11 papers will be accepted. The 8 ½-by-11 format will be accepted in electronic format.

12. The technical review reports must be in typewritten using the format shown in exhibit 13. The review appraiser may add to the format as necessary.

13. The technical review report must document whether the analysis and documentation contained in the reviewed easement appraisal supports the opinion of value arrived at by the appraiser and whether the easement appraisal was properly completed in accordance with NRCS requirements.

Bold, italic words are for instruction and clarification. They should not be included in the technical review report

Exhibit 1

Technical Review Report

Appraisal Review of _____ (*property*) _____

Prepared by _____ (*name, title, unit*) _____

This technical review report is presented in four sections: (1) Appraisal Report Summary, (2) Appraisal

Review Purpose, Scope, and Intended Use, (3) Review Appraiser's Analysis, Comments, and Conclusions, and (4) Review Appraiser's Certification.

Select appropriate:

For USPAP Appraisals: As a result of my review, I (*approve*), (*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 \$. (Note that for some NRCS easement programs only a current market value will be obtained and this statement should be revised appropriately.)

By: (signature) Date:

Print Name

Printed Name and Professional

Accreditation State

Certification #

For USFLA (Yellow Book) Appraisals: As a result of my review, I (*approve*), (*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) Date:

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 technical review report must be recited here.

Section 1: Easement Appraisal Summary

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

- a. Owner of Record
- b. Client of Easement Appraisal
- c. NRCS Easement Program
- d. Estate Appraised
State the ownership interest as fee, leased fee, or partial interest and reference the specific title document or land status report. Must be of surface rights only. If the estate appraised is subject to any reservations, outstanding rights, or other encumbrances, state them briefly here and fully in section 3.a.
- e. Legal Description
Identify the survey and land description verification.
- f. Property Characteristics
Provide a brief overview of the significant physical, legal, and location characteristics of the property.
- g. Larger Parcel Determination (for Yellow Book appraisals only)(***Omit if not Yellow Book***)
- h. Extraordinary Assumption and/or Hypothetical Conditions
Identify the source of the written instructions.
- i. Highest and Best Use or Permitted Use
- j. Date of the Appraisal Report
- k. Date of Appraisal
- l. Appraiser
- m. Value valid through _____
Determined by the review appraiser based on the market conditions as stated in the easement appraisal.

Section 2: Easement Appraisal Review Process

- a. Client and Intended User (NRCS)
- b. Intended Use
- c. Effective Date of the Review (***effective date of the easement appraisal***)

d. Date of Technical Review Report

e. Purpose of the Review Assignment

1. **FOR USPAP APPRAISALS:** The purpose of the technical review report is to provide an opinion of the acceptability of the USPAP appraisal that provides a market value of the proposed easement area as follows:

- For WRP or ACEP-OWRE only: Market value appraisals provide the “as is” or current market value of the property on which the WRE easement will be placed. The appraisal is completed in compliance with USPAP and NRCS WRE appraisal specifications.
- For all non-WRE enrollments (ACEP-ALE, EWPP-FPE, FRPP, GRP, and HFRP): Conservation easement appraisals are “before and after” appraisals. The appraisal provides the market value of the easement property before the easement is placed and the market value of the easement property after the easement is placed on the property. The difference in the two values is the indication of the effect of the easement on the property, or the value of the easement.

2. The appraisals must be completed in compliance with Uniform Standards of Professional Appraisal Practice and appraisal instructions issued by NRCS for the easement program involved as stated in the appraisal. The appraisal report requires the level of detail necessary to thoroughly explain and support the property description, highest and best use analysis, market characteristics, adjustment process and all conclusions so that all reviewers and NRCS users have an adequate understanding of the statements, opinions and conclusions offered within the report.

3. **FOR USFLA (YELLOW BOOK) APPRAISALS:** The purpose of the technical review report is to provide an opinion of the acceptability of the easement appraisal 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 a current date, 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 appraisal instructions for the easement program involved as stated in the appraisal. For the purpose of these appraisal reviews, the Federal rules for acquisition will be used.

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.

f. Scope of Work

Describe work the review appraiser 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 review appraiser's work file.

Section 3: Review Appraiser's Analysis, Comments, and Conclusions

The purpose of this section is to report the reasons and provide support for the review appraiser'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 Standard 3 and UASFLA Part C if applicable. 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. *(For Yellow Book Appraisals Only)* 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 water, timber, improvements, personal property, and intangibles. (Mineral values are not analyzed because the rights appraised are surface rights only.)
- 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. If appropriate, 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 easement appraisal is approved or disapproved. If other than approved, summarize the principal reasons for your action.
- j. Other issues as determined by the review appraiser.

Section 4: Review Appraiser Certification

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

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

- The facts and data reported by the review appraiser and used in the review process are true and correct.
- The analysis, opinions, and conclusions in this technical review report are limited only by the assumptions and limited conditions stated in this technical 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 performed no (*or the specified*) other services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the 3-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this technical review 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 technical review report or from its use.
- My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this technical review report.
- My analysis, opinions, and conclusions were developed and this technical review report was prepared in conformity with the applicable NRCS appraisal instructions and appraisal review instructions, the *Uniform Standards of Professional Appraisal Practice (for USPAP appraisals as applicable)* and to 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*).
- I *have (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.

Review Appraiser
General certification number, State,

Date of Review

and expiration date.

Title

Attach qualification statement of the review appraiser.