# APPRAISAL SPECIFICATIONS FOR APPRAISALS OF REAL PROPERTY FOR THE WETLANDS RESERVE PROGRAM (WRP)

## A. BACKGROUND INFORMATION

The United States of America, acting through the U.S. Department of Agriculture, Natural Resources Conservation Service (NRCS) is considering purchasing a conservation easement to assist the landowner in protecting, restoring, and enhancing the original hydrology, native vegetation, and natural topography of eligible land, to 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 be placed under a conservation easement through WRP.

All appraisals completed for this program must comply with Uniform Standards of Professional Appraisal Practice (USPAP) and appraisal instructions as issued by NRCS.

## B. APPRAISER QUALIFICATIONS

Appraisers must be a State-certified general real property appraiser or obtain a temporary practice permit in the State or States where the subject property is located and be in good standing with the licensing authority where the credential was issued, in conformance with title XI of the Financial Institution's Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Appraiser must have demonstrated competency in compliance with USPAP in conducting appraisals of agricultural properties of the requested type. A copy of the appraiser's State license or practice permit must be provided to the contracting officer (CO) at the time of bid submission. Work will not be granted until such time as the CO has reviewed and approved the licensing credentials and the experience and education requirements of the contractor and any subcontractors. If the contractor elects to subcontract the appraisal work, the subcontractor must also be a State-certified general real property appraiser or obtain a temporary practice permit in the State or States where the subject property is located and be in good standing with the licensing authority where the credential was issued. Proof of the subcontractor's qualifications must be supplied within 10 days of contract award. Appraiser and any subcontractor must have demonstrated competency in compliance with USPAP in conducting appraisals of agricultural properties with and without conservation easements of the requested type. In the event the contractor wishes to change personnel or subcontractors, the contractor must submit the same proof of qualifications and licensing. Approval must be obtained from the contracting officer prior to the assignment of appraisal work to such individuals. Failure to obtain such approval may invalidate the award and cause termination of the contract in accordance with Federal Acquisition Regulation 52.249-8.

## C. PURPOSE OF THE APPRAISAL REPORTS

The purpose of the appraisals is to provide an opinion of market value, as defined below, of the proposed easement area as of a current date of value in a self-contained report. The appraisals must be completed in compliance with Uniform Standards of Professional Appraisal Practice and appraisal instructions issued by NRCS.

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 is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby—
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> 1. buyer and seller are typically motivated;
> 2. both parties are well informed or well advised and acting in what they consider their own best interests;
> 3. a reasonable time is allowed for exposure to the open market;
> 4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
> 5. 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. BACKGROUND FOR THE APPRAISAL REPORT

1. Prepare a self-contained report of an opinion of value based on the above market value definition of the proposed easement area.

2. Subject property will be only the proposed easement area as provided by NRCS.

3. 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 as stated in E 7 below. This volume will also be documented in the "Conservation Plan and Easement Baseline Inventory Report" exhibit attached to the conservation deed. Irrigation water rights that are owned and used on the proposed subject property will be 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.

4. Client is USDA/NRCS.

5. Intended user is USDA/NRCS.

6. Intended use will be for USDA/NRCS consideration in determining the price of the conservation easement entering into the Wetland Reserve Program.

7. Exclusions of approaches to values, as stated in USPAP, must be strongly supported with solid reasoning.

8. Property rights to be appraised will be surface rights, 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. 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 building improvements and irrigation equipment, such as pivot sprinklers, moveable pipe, tow lines, etc., that are located in the proposed easement area will be excluded from the valuation.

**E. INFORMATION PROVIDED BY USDA/NRCS TO THE APPRAISER:**

1. Aerial photograph of the subject property with the location of the proposed easement area identified, access to the easement area identified, easement boundary identified, and an estimate of the acres in the proposed easement identified.

2. Legal description of subject property.

3. Preliminary legal description of the proposed easement area (survey to be completed later).
Example: On attached aerial photograph, approximately 10.5 (outlined in dark ink) acres located in the NW 1/4. NW 1/4 of Section 10 T55N R20W of 5th PM.

4. Aerial photograph indicating the location and acreage of any conservation agreement, contract, or easement of any type that is associated with any part of the subject property.

5. Copy of the completed Form CCC-505, "FSA Voluntary Permanent Direct and Counter Cyclical Program (DCP) Base Acres Reduction," executed by the landowner for crop base/allotments located on the proposed easement area. This form will not be processed by FSA until the easement is closed. The appraiser will verify the amount of crop base to be retired or moved on the proposed easement area and if any remaining crop base exists on the easement area. Documentation of production data will be provided to NRCS by landowner. Note: Any crop base or allotment acquired by NRCS must be retired from Federal Government programs.

6. 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 "Conservation Plan and Easement Baseline Inventory Report" exhibit attached to the conservation deed.

7. Copy of Title 440, Conservation Programs Manual (CPM), Part 514, Subpart E, Section 514.28, "Determining Easement Values."

8. Recorded landowner's name, address, and telephone number.

9. Written permission from the landowner or an authorized representative authorizing the assigned appraiser to enter the property for appraisal purposes.

10. Specific details of any existing easements, reservations, or other restriction currently encumbering the subject property as provided by the landowner.

11. Current information as to the status of title of ownership, such as copies of deeds.

12. When available, a completed Preliminary Certificate of Inspection and Possession (440-CPM, Part 514, Subpart I, Section 514.67), the Hazardous Substance Examination and Checklist (440-CPM, Part 514, Subpart I, Section 514.68), and any available information pertaining to the probability of existence of hazardous substances that might be found on the property to be appraised.

13. Documentation of water rights owned, including name of irrigation company, number of shares or amount of ownership, and documentation concerning irrigation wells on the property to be appraised as provided by the landowner.

14. Copy of Warranty Easement Deed (440-CPM, Part 514, Subpart I, Section 514.63).

15. A copy of the recorded written access to the easement area, if available.

16. Copy of preliminary title commitment covering the proposed easement area.

## F. THE APPRAISAL REPORT

### 1. Description of Work Product

The appraisals will meet the requirements of the Uniform Standards of Professional Appraisal Practice and appraisal instructions issued by NRCS as a self-contained appraisal report.

The appraisal report may consist of a form report or a narrative report, or a combination may be used. The appraisal report must comply with Uniform Standards of Professional Appraisal Practice and must use the following appraisal instructions guidelines as stated in these standards.

**Restricted-use reports are not acceptable.**

The contract appraiser must personally inspect the subject property and comparable sales.

The appraiser must personally talk to the property owner or the owner's agent or representative, and the property owner or the owner's agent or representative must be given an opportunity to accompany the appraiser during his or her inspection of the subject property. The appraiser will document this discussion and if the landowner did or did not accompany the appraiser during the inspection in the appraisal report.

The Uniform Residential Appraisal Report (URAR) **is not** acceptable.

Reports must contain a table of contents with page numbers and sequentially numbered pages, including addenda. Reports may contain handwritten page numbers.

Reports must reference all environmental documents utilized by the appraiser in completing the appraisal. An environmental document will be required in the appraisal report, as provided by NRCS (refer to paragraph E 12, above). The appraiser is a key individual in identifying potential environmental problems that may affect the value of the subject property.

The appraiser will contact NRCS to resolve problems, clarify questions, letters of engagement (call orders), or other issues. Issues relating to the appraisal process will be discussed with the technical review appraiser, who will keep NRCS or its designated client advised of such discussions.

The effective date of the appraisal report is the date the property was personally inspected by the appraiser.

The appraiser will prominently state any crop base and allotment history located in the easement that has been included in the value.

The appraisals must be in typewritten or legible ink print form, automated or computerized forms, or both.

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

The appraisal report must be bound in a durable report cover with appropriate identification.

The appraiser must provide three originals of the appraisals to NRCS. Reference the above instructions, including exhibits, for details on appraisal reports,

appraisal forms required, and required methodology and supporting documentation.

## 2. Required Elements for WRP Appraisals

### Part 1 Introduction

1. Title Page
2. Letter of transmittal
3. Table of contents
4. Appraiser's certification
5. Summary of salient facts

6. Photographs of subject property. Provide original color photographs or high-quality color copies of photographs of the appraised property. Photographs may be a separate exhibit in the addenda or included with the narrative description of the appraised property and comparable sales. Show the following information with each photograph:

    a. Identify the photographed scene. Indicate direction of view, vantage point, and other pertinent information. An aerial photo should be used to show the location of the photos.

    b. The name of the photographer

    c. The date the photograph was taken.

7. Statement of assumptions and limiting conditions.

    All appraisal reports submitted to the NRCS for review become the property of the United States and may be used for any legal and proper purpose. Therefore, a condition that limits distribution of the report is not permitted.

    If the appraisal has been made subject to any encumbrances against the property, such as easements, that must be stated. It is unacceptable to state that the property has been appraised as if free and clear of all encumbrances, except as stated in the body of the report; the encumbrances must be identified in this section of the report. Refer to paragraph E 16 above.

    The use of an uninstructed assumption or hypothetical condition that results in other than "as-is" market value will invalidate the appraisal. Include only factors relating to the appraisal problem. Assumptions and limiting conditions that are speculative in nature are inappropriate. Do not include limiting conditions that significantly restrict the application of the appraisal.

A contract appraiser cannot make an assumption or accept an instruction that is unreasonable or misleading. Client instructions must have a sound foundation, be in writing, and be included in the appraisal report.

8. Scope of the appraisal
   This section must fully describe the extent of investigation and analysis. The scope of work should be consistent with the intended use of the appraisal.

9. Purpose of the appraisal will be as stated in D above
10. Summary of the appraisal problem

**Part 2. Factual Data**

11. Legal description

12. Area, city, and neighborhood data

13. Property data
    a. Site
    b. Use history
    c. Sales history
       Include a 7-year record of all sales of the appraised property and, if the information is available, offers to buy or sell. If no sale has occurred in the past 7-years, the appraiser must report the last sale of the property, irrespective of date.
    d. Rental history
       A 3-year rental history is required. An unsupported statement that the rent does not represent market or economic rent is unacceptable.
    e. Assessed value and annual tax load
    f. Zoning and other land use regulations
       The contract appraiser must identify, in addition to zoning, all other land-use and environmental regulations, outstanding rights, and reservations that have an impact on the highest and best use and value of the property. Refer to paragraph E 16 above.
    i. Appraised property map or plat. Show the dimensions and topography of the appraised property in detail on a large-scale topographic map, at least 2 inches to the mile. The map may be placed here or in the addenda.

**Part 3. Data Analysis and Conclusions before Acquisition**

14. Analyses of highest and best use

For this appraisal, highest and best use is defined as "The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future." The contract appraiser may also refer to definitions as found in "The Dictionary of Real Estate Appraisal."

The highest and best use conclusion must be clearly supported by market evidence. Sale or exchange to the United States or other public entity is not an acceptable highest and best use. The use for which the Federal Government will put the property after it has been acquired is, as a general rule, an improper highest and best use. A noneconomic 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 base an estimate of market value.

If the highest and best use is for assemblage, describe and explain the relationship of the appraised property to the property to which it would be joined.

If speculation or investment is the highest and best use of the property, describe and explain its interim and most probable ultimate use.

When there is a claim that the highest and best use of a property is something other than the property's existing use, the burden of proof is on the contract appraiser.

Market value cannot be predicated upon potential uses that are speculative and conjectural.

The contract appraiser's opinion of a reasonable probability of a zoning change must have a factual foundation. The appraisal report must include a description of the investigation undertaken to determine the probability of rezoning. The investigation must include thorough research of the uses and zoning of properties situated similarly to the subject property within the area covered by the zoning authority. The stated rezoning conclusion must be supported by facts surfaced in the research. A property cannot be valued as if it were already rezoned for a different use. The property must be valued only in light of the probability of obtaining a zoning change.

15. Land valuation

16. Value estimate by the cost approach

Estimate the value of the land as though vacant and available for its highest and best use. Estimating land value by the use of confirmed sales of comparable or nearly comparable lands having like optimum uses is the preferred method.

17. Value estimate by the sales comparison approach

Nearby arm's length transactions, comparable to the land under appraisement and reasonably current, are the best evidence of market value. The Federal courts recognize the sales comparison approach as being normally the best evidence of market value.

When supportable by market evidence, the use of quantified adjustments is preferred. Percentage and dollar adjustments may, and often should, be combined. Resort to qualitative adjustments only when there is inadequate market data to support quantitative adjustments. Factors that cannot be quantified are dealt with in qualitative analysis. When quantitative and qualitative adjustments are both used in the adjustment process, all quantitative adjustments should be made first.

Include a sales adjustment chart summarizing the adjustments and showing the final adjusted sale prices and how the sales compare with the subject property.

The documentation of each comparable sale must include the following:

a. Parties to the transaction

b. Date of transaction

c. Confirmation of the transaction

Confirm the transaction with the buyer, seller, broker, or other person having knowledge of the price, terms, and conditions of sale.

d. Buyer motivation

e. Location

f. Size

g. Legal description

h. Property rights conveyed and method by which title was transferred, such as warranty deed or purchase contract

i. Consideration

j. Financing terms

k. Sale conditions

Verify if the sale was an arm's length or distressed sale.

l. Improvements

m. Physical description

Describe topography, vegetative cover, water influence, improvements, irrigation water, soils, and other characteristics.

n. Nonrealty items

o. Economic characteristics
Breakdown of land class by acres

p. Zoning

q. Current use

r. Topographic map

s. Photographs

In order to make meaningful comparisons between the sales and the appraised property, NRCS requires inspection of all sales directly compared with the appraised property. Waiver of the comparable sale inspection requirement must be made in writing by an authorized official in the form of a supplemental appraisal instruction. The requirement for inspection of the appraised property may not be waived.

Include a list of the sales considered, but not actually used, in the addenda. Cite pertinent facts, such as date, size, buyer and seller, price, terms, and location, and explain why each sale was not used.

18. Value estimate by the income approach
All data must be market supported.

19. Correlation and final estimate
The contract appraiser must avoid making a summation appraisal. Appraisers are responsible for the final opinion of value even if it relies upon estimates developed by others (such as timber cruisers or cost estimators). Value estimates developed by others will be the appraiser's responsibility if needed.

**Part 4 Acquisition Analysis**

20. Recapitulation

**Part 5. Exhibits and addenda**

21. Location map

Maps must clearly identify the property and be of sufficient quality to enable the review appraiser to locate the property on the ground. Maps must be dated and include a legend, scale, and north arrow. The original copy of the report must contain original maps or vivid color copies.

a. Area Map.—This is a small-scale map showing the general location of the subject market area.

b. Neighborhood Map.—This map shows the appraised property and its immediate neighborhood.

c. Tract Map or Plat.—This map is a large-scale (2-inch per mile) U.S. Geological Survey (USGS) or similar-quality map that shows the appraised property and pertinent physical features, such as roads, streams, and improvements. If portions of the appraised property are assigned separate contributory values to the whole, these areas must be delineated on this map or a separate map.

22. Comparable data maps

This map must show the location of the appraised property and the sales. Delineate the boundaries of the appraised properties and comparable sales when the map is of sufficient scale to be meaningful. If all pertinent comparable sales cannot be shown on the same map as the appraised property, a smaller-scale map (such as a State road map) may be included in addition to the larger scale map.

23. Detail of comparative data
Include a completed form showing all information for each comparable transaction used in the appraisal. Include a plat (if available), a USGS topographic map (if appropriate), and color photos of each sale. The transaction number must match the number of the transaction listed in the report.

24. Plot plan
25. Title evidence report
Include a copy of the preliminary title report for the non-Federal land, if available.
26. Other pertinent exhibits

Present additional data, such as documents and charts pertinent to the valuation and referred to in the body of the appraisal. Exhibits may include—

a. A copy of the Conservation Easement Deed.

b. A copy of technical reports from specialists. This may include a timber cruise summary signed by a timber cruiser or a road plan signed by an engineer.

c. Property owner permission to appraise.

27. Qualifications of appraiser

Include the qualifications of all contract appraisers or technicians who made significant contributions to the completion of the appraisal assignment. The contract appraisers must provide evidence of compliance with the certification requirements of the State or States where the properties are located.

**G. Appraisal Reviews**

1. All appraisal reports are subject to a technical appraisal review conducted for compliance with NRCS appraisal instructions and USPAP prior to acceptance and as determined by NRCS. As a minimum, all appraisal reports will have an administrative appraisal review conducted on each appraisal report. Any deficiencies in the appraisal report will be returned to the appraiser for revisions, additional support or explanation, corrections to the original appraisal report in a supplemental report format as stated below, or some combination of these. All revisions will be subject to an appraisal review for compliance with the original instructions and acceptance as stated above.

A. Any appraisal report revisions required either by the technical or the administrative reviewer must be completed and returned to the Government not later than the 14th calendar day after receipt as verified. Revised appraisal reports may be submitted by NRCS 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.—When an appraisal report is in violation of appraisal principles and standards, agency or departmental regulations or directives, is inconsistent with facts, or asserts unsupported conclusions, the report will be rejected. The technical review appraiser finds the appraisal report to be illogical, unreasonable, not supported by data cited, or is inconsistent with other data. Rejection indicates particular problems of integrity. Minor technical nonconformance with the UASFLA and USPAP should not be the cause of rejection of 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. In the event 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 payment will be withheld by NRCS.

D. Approved.—If in the technical appraisal reviewer's opinion, the value estimate is strongly supported and complies with all contract specifications, the report will be approved. 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. Fees will be paid upon receipt of accurate invoices.

## H. Format for Supplemental Appraisal Reports

Supplements or amendments to appraisal reports, such as correcting deficiencies in the appraisal report, revisions, additional support or explanation, changes in acreage, change in value, or title conditions, must be referenced for incorporation with the original report in accordance with USPAP and is required in the following format. All items must be addressed.

1. Title Page

Include the same information as on the original appraisal report. Label the report as a "supplemental appraisal report."

2. Summary of Facts

Include all of the following:

(a) Owner's name or other identification of the property

(b) Size

(c) Highest and best use

(d) New opinion of value

(e) Valuation date, which will be the date of valuation as shown in the original appraisal report

3. Summary of Original Appraisal

Cite the date and value opinion from the original appraisal. If previous updates have been made since the original appraisal, cite value opinions from all updates as well as the original appraisal.

4. Changes

Explain the reason for the appraisal supplement, such as to update an opinion of value based upon changes in acres do to survey, amend a previous appraisal report, add additional support or explanation, or other reasons.

5. Revised Opinion of Value

Revised opinions of value will be made as of the effective date of the original appraisal only. Discuss the method used to revise the opinion of value and cite the evidence, analysis of trends, or both that support the revised value opinion. Conclude with a statement of the revised opinion of value and the original valuation date, followed by the contract appraiser's signature.

6. Certification

Follow the USPAP guidelines required for certification.

7. Addenda

Include sales data detail for new sales cited, summaries of data and trend analyses, maps of sales analyzed, and any other information relied upon but not included in the text.

8. Binding.

If the supplemental appraisal report is more than four pages long, it must be bound in a durable report cover with appropriate identification.