

**IOWA DEPARTMENT OF NATURAL RESOURCES
REAL ESTATE APPRAISAL REPORT GUIDELINES**

**For GRANT REIMBURSEMENT APPLICANTS and
For IOWA CERTIFIED GENERAL REAL PROPERTY APPRAISERS
(Effective: January 1, 2022)**



Introduction

The intention and purpose of the following information is to assist governmental agencies, not-for-profit land trusts and conservation-minded groups, and the certified general real property appraiser they or the Iowa Department of Natural Resources (DNR) engage to perform real property appraisals on their client's behalf, in understanding the appraisal report requirements for performing said real estate appraisals for the purpose of either grant applications submitted to the DNR or for DNR, in general. The information is divided into two sections.

Section I - This section is intended for the governmental agencies and non-profit groups (the "client") regarding the types of appraisal standards, funding sources guiding the appraisal standards the engaged appraiser should follow, and the Scope of Services, which is the client's engagement responsibility to provide the appraiser.

Section II - This longer section is intended to define for the appraiser of record DNR's Review Authority, provide Definitions of Market Value for both appraisal standards - USPAP and UASFLA's "Yellow Book," and finally to offer guidance in the appraisal format to be followed, if needed. If the appraiser of record understands the current edition of each Standard, then that will alleviate most situations, however, we encourage all appraisers to read through this section for helpful information. We pledge to address any concerns in a timely manner. If necessary following our preliminary appraisal review, we will address any need for corrective action in a professional manner with the appraiser of record (with the client's permission) in order to bring the appraisal report into compliance for the appropriate standards and appraisal methodology.

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Section I - Appraisal Standards, Funding Sources, and Scope of Services

APPRAISAL STANDARDS

Appraisals to be reviewed by DNR reviewers typically involve the two types of current edition of appraisal standards and the corresponding written Appraisal Reports:

1. **USPAP** - Uniform Standards for Professional Appraisal Practice (*Appraisal Report*), and
2. **UASFLA, aka "Yellow Book,"** - Uniform Appraisal Standards for Federal Land Acquisitions (*Appraisal Report*)

FUNDING SOURCES AND APPROPRIATE APPRAISAL STANDARDS REQUIREMENT

Much of the funding for land acquisitions and appraisals is made through the use of grants. There are two types of funding sources:

1. **State** - Sources include monies for outright acquisitions, which include:
 - A. Resource Enhancement and Protection - REAP, specifically, City and County REAP
 - B. REAP Public/Private
 - C. Habitat Stamp Grants - Fish & Wildlife
 - D. Marine Fuel Tax
 - E. Blufflands Protection
2. **Federal** - Sources include:
 - A. North American Waterfowl Conservation Area - NAWCA
 - B. Land & Waters Conservation Fund - LWCF
 - C. Prairie Potholes Joint Venture - PPJV
 - D. Sport Fish Restoration Grants

NOTE: For State funding sources noted above, the use of the current edition of the Uniform Standards of Professional Appraisal Practice (USPAP) is the appraisal standards for performance and compliance. For Federal funding sources noted above, both the current editions of the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA, aka "Yellow Book") and USPAP are the appraisal standards adhered to for performance and compliance. However, if you are a County or City entity also working with Iowa DNR Wildlife on a project which might involve both state and federal funding, the standards may involve both UASFLA (aka Yellow Book) and USPAP, and one should seek additional guidance with Kelly Smith, DNR Habitat Conservation Programs Coordinator with the Wildlife Bureau (see below contact info).

Contacts for Grant Funding for both State and Federal Funding sources include:

1. Kathleen, Moench, Iowa DNR Executive Officer, Budgets and Grants, at Phone: (515)-210-3013;
Email: kathleen.moench@dnr.iowa.gov
2. Kelly Smith, Iowa DNR Habitat Conservation Programs Coordinator, at Phone: (712)-520-0313;
Email: kelly.smith@dnr.iowa.gov

SCOPE OF SERVICES

The Scope of Services, required to be written by the Client, must be clearly written in the form of an Engagement Letter or Contract **with a copy of said document sent to the appraiser of record to be included in the *Addendum to the Appraisal Report***. This ensures proper communication between client and appraiser as to the specific appraisal problem to be addressed in the appraisal report and to inform the DNR reviewer as to those appraisal assignment instructions.

The Scope of Services, written in your Engagement Letter or Contract, should include, at a minimum:

1. **Name of the Client** - This is typically the Grant Submitter. NOTE: DNR is not the client for these reports. DNR will be the client for only DNR Acquisition.
2. **Purpose** of the Appraisal Report - This is typically for an estimate of market value "As-Is."
3. **Intended Use** of the Appraisal Report - This is typically for use in negotiations for potential or prior acquisitions, and grant reimbursement.
4. **Intended Users** of the Appraisal Report - This typically includes either the City, County, or other Grant Submitter. NOTE: DNR must be included as an intended user for DNR to review the appraisal report for grant reimbursement.
5. **Specific Appraisal Standards to follow** (USPAP and/or UASFLA and these DNR Appraisal Guidelines)

Section II - DNR's Review Authority, Definitions of Market Value, and Report Format, Sequence & Instructions

NOTE: Only an appraisal noted to be an *Appraisal Report* is acceptable. The *Restricted Appraisal Report* will not be accepted. However, UAAR "form" reports will be accepted as long as the necessary information to develop and report an *Appraisal Report*, according to the selected Standards and the DNR Appraisal Guidelines, are followed.

If you have questions regarding any of the following guidelines, format, sequence, or additional information, please contact Steve Salsberry, MAI, review appraiser, Iowa DNR Office of Realty Services: Phone: (515) 443-1023; Email: steve.salsberry@dnr.iowa.gov.

Thank you and we look forward to working with you.

DNR REVIEW AUTHORITY STATEMENT

The Appraisal Report will be subject to a thorough and professional administrative desk review by the federal and/or state cost-sharing agency by a state certified general real property appraiser. Therefore, reports must be performed as an *Appraisal Report*, in mostly a fully-detailed, narrative format or form report, with supported market data. It should be clearly communicated in such a manner that there will little to no reasonable doubt to the reviewer as to the appraiser of record's opinions and conclusions.

Deficient reports not compliant with USPAP and/or UASFLA (Yellow Book) will not be approved. However, deficiencies will be addressed by the reviewer with the shared goal (of the client and DNR) of attaining compliance and thus approval of the appraisal report for use by the DNR in the grant reimbursement program. If deficiencies cannot or will not be addressed by the appraiser of record, DNR will suggest to the client to obtain another appraisal be performed by a different appraiser to then be reviewed by DNR.

Deficient reports can be viewed as minor or major in scope.

- **Minor** - Deficiencies minor in scope include items which do not directly impact the value, but are deemed necessary for a credible report - this may include, but are not limited to, items such as: numerical typos, minor math errors, missing documents or incomplete sale write-ups or non-verification of Sales, not citing the source of market value, or estimating exposure times (USPAP), etc.
- **Major** - Deficiencies major in scope include deficiencies directly impacting the value conclusion, such as major math errors, flawed highest and best and appraisal valuation methodology, lack of proper maps or photographs, etc. and other violations of either USPAP or UASFLA standards.

DNR is committed to addressing either type of deficiencies in a professional and timely manner. This process begins following the preliminary review with the reviewer by initially contacting the client to communicate a need for corrective action. The client can then communicate with the appraiser of record or give permission for DNR to directly contact the appraiser of record.

Typically, the reviewer will handle the request for corrective action by detailing the problems with the report and requesting revisions of the appraiser of record by email and/or phone. The revisions can be provided directly to the reviewer in the form of an electronic submission (PDF) of a full report, but this can be decided at the time between the reviewer and the appraiser of record. This process may require additional back and forth correspondence between the reviewer and appraiser of record in order to bring a report into compliance.

Once the report is approved by DNR, the reviewer will advise the appraiser of record to provide the respective client with an approved version of the revised report. The reviewer will send the approved copy of the appraisal report to Kathleen Moench, DNR Budgets and Grants, for processing of the grant reimbursement.

DEFINITIONS OF MARKET VALUE

For Appraisals Requiring UASFLA (“Yellow Book”) Compliance

Transactions involving Federal funding require the market value definition from page 10 of the 2016 Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA - aka “Yellow Book”).

“Definition of Market Value Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of value, 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.”

NOTE: Citation of the source of the Market Value definition is also required.

For Appraisals Requiring only USPAP Compliance:

Market value is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined. A current economic definition agreed upon by agencies that regulate federal financial institutions in the United States of America is:

“The most probable price that a property would 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:

1. The 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 in the open market.
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or Sales concessions granted by anyone associated with the sale.

Payment is made in terms of cash in U. S. dollars or in terms of financial arrangements thereto; and the price represents the normal consideration for the property sold unaffected by special or creative financing or Sales concessions granted by anyone associated with the sale.”

(The Dictionary of Real Estate Appraisal, 6th Edition, Appraisal Institute)

NOTE: Citation of the source of the Market Value definition is also required, per USPAP. One should not use the definition in USPAP however.

APPRAISAL REPORT FORMAT, SEQUENCE OUTLINE, AND INSTRUCTIONS (Specifications and Instructions for Preparation of Appraisals for Review by DNR)

APPRAISAL REPORT - FORMAT (Preferred)

The preferred written format for an *Appraisal Report* is a **narrative** format and bound on the left margin within a durable cover and a typewritten or printed label on the face thereof, identifying the appraised property, the project number, owner of the appraised subject, and the name of the client and/or local authority. Window covers are acceptable, provided the necessary cover page information identifying the property is aligned properly within the cover's window frame or a clear cover is acceptable.

The bulk of the paper used should be sized 8½" x 11" on a sturdy, white, stock bond. Following the Cover or Title Page and Letter of Transmittal, there should be a Table of Contents page with each important heading (or subheading) referenced to a page number. Any pages following the Table of Contents pages should be numbered consecutively from the beginning of the report to the end, including neighborhood and subject photographs, maps, plans, exhibits, and appraiser certification. The items in the *Addendum* do not need to be numbered, and it would be helpful, though not required, to have a partition divider separating the body of the report from the *Addendum*.

NOTE: Form reports, such as the UAAR (Uniform Agricultural Appraisal Report) Form or any other Form Report (eg., Wintotal, Bradford Technologies, etc.) are acceptable formats to the DNR format guidelines as long as the necessary reporting requirements for the standards pertinent to the Appraisal Report are included. The form report should also be numbered properly, especially beyond the Table of Contents page.

NOTE: For review purposes, DNR prefers an electronic file (pdf) of the report, but can review a color, hard copy of the Appraisal Report if that is the only format available.

APPRAISAL REPORT - SEQUENCE OUTLINE

In order to facilitate the appraisal review process by making the report easier to read and maintain uniformity and consistency, the text should be properly divided into three parts:

- **Part I - Introduction**
- **Part II - Analysis and Conclusions; and,**
- **Part III - Addendum**

The following outline, instructions and descriptions of content specifies the **preferred** format/layout for appraisal reports using accepted appraisal principles and practices, and represents the **minimum** essentials which should be included. Any other data, information, approaches, etc., which may be considered necessary or essential to producing a credible report, should be included in the report. Additional data considered necessary should be included in an appropriate place within this outline. Any items omitted as being not applicable (such as the absence of building improvements on vacant land or one of the standard approaches to value) should be described in the report along with the justification or reason(s) for its omission. This outline may vary, depending upon the type of property appraised and/or different parcels involved.

APPRAISAL REPORT - INSTRUCTIONS (and Description of Contents)

PART I - INTRODUCTION

1. **Title Page**

Should include:

- Project Number (Where Applicable)
- Owner's Name
- Location of Appraised Property and Size (Acres)
- Effective Date of the Report (and Inspection Date, if different); Date Report Prepared (Letter of Transmittal)
- For Whom Prepared (Preferably the client)
- Name of Appraiser(s)

2. Letter of Transmittal

Should be addressed to the client or individual or Local Authority who requested the services and should contain:

- Location of Appraised Property
- Name of client **NOTE:** DNR is not the client for these reports.
- Statement of the interest being appraised
- Statement of the purpose, intended use, and all intended user(s) of the appraisal **NOTE:** DNR must be named as a co-intended user of the appraisal report in order for the DNR to review the appraisal for the grant application.
- Statement that a valuation investigation and analysis was made, giving the name of the individuals making any such investigation and the dates thereof
- Total Valuation Estimate
- Effective Date of the appraisal (date of which the valuation estimate applies) and date of inspection (if different than the effective date, such as in a Retrospective Appraisal (Consult Advisory Opinion 34 in the USPAP manual)
- Signature of Appraiser (Seal or digital signature(s), if applicable) and appraiser's general certification number

3. Table of Contents

This must be arranged in accordance with the topical headings and subheadings with corresponding page numbers.

4. Photographs/Maps

To include a series of ground-level color photos (at least 3" x 5") of the appraised property, followed by:

- A location map with the appraised property highlighted, such as is typically found in a Plat Book
- A full-size, 8½" x 11", aerial plat with the appraised property clearly outlined or highlighted
- A soil map with key and soil list showing the various soils that make up the appraised property
- **Color, digital photographs along with captions describing directional viewpoints of the photographer/ appraiser are required in all appraisal reports.** **NOTE:** Yellow Book requires a higher standard for captions (date and name of person taking photos).

5. Statement of Assumptions and Limiting Conditions

This should include statements as to the following contingent and limiting conditions:

- That the Title is marketable (there can be no "market value" for a property that is not marketable).
- That no responsibility is answered by the Appraiser for legal matters, especially those affecting title to the property (this may be qualified if legal advice has been obtained and included in the report concerning certain matters).
- That the legal description furnished is correct (if the legal description is short, provide for the reader in a summary of salient or relevant facts section; otherwise, refer the reader to its location within the report and/or *Addendum*).
- Those certain opinions, estimates or other data furnished by others (and properly identified) are correct.
- Any other limiting conditions or assumptions are to be clearly explained, such as any **extraordinary assumptions** (unknowns, which, if found to be false could alter the appraiser's opinions or conclusions) and **hypothetical conditions** (knowns - that which are contrary to what exist, but are supposed for the purpose of the analysis; these should be given by the client or with the client's approval).

6. Summary of Salient or Relevant Facts and Conclusions

This summary is, in fact, a recapitulation of the essential highlights of the report, and its purpose is to offer an immediate and convenient reference in brief. These components shall include the following:

- Parcel and/or Project Number (where applicable)
- Owner's or local representative's name, address and phone number
- Address of the Appraised Property (unimproved properties may not have an official address)
- Client Name, Purpose, Intended Use, and all Intended users (if not done previously in the Letter of Transmittal)
- Legal Description (unless a lengthy metes and bounds, and then an abbreviated "assessor" description will do)
- Type of Property
- Highest and Best Use, "As Vacant" and "As Improved" (if applicable)

- Present Zoning (and perhaps potential re-zoning classification, if so described in a comprehensive land use map)
- Type of Improvements (if vacant, so indicate)
- Parcel Area (generally shown as both gross and net taxable acres - of public road rights-of-way)
- Breakdown table showing the estimated value of the appraised property to include:
 - Improvements
 - Land with estimated value per acre for each type of land, such as cropland, timber, wetland, etc.,
 - (i.e., an allocation of value to each of the components or parts)
 - Severance or other damages (if applicable)
 - Total Value Estimate

7. Scope of Work (Appraisal Scope)

List sources of data incorporated in the report; such as public or other records, documents, persons consulted and technical specialists utilized. This segment of the report focuses on reporting the process of obtaining data critical to estimating the final value as well as a discussion of appropriate methodology used to arrive at that value estimate. While the scope of work is the product of the appraiser, the scope of work should include the components of any pertinent instructions provided by the client or the DNR in performing the appraisal. The report may describe appraisal valuation methodology in this section or in corresponding sections throughout the report. If a valuation method is not used, the report must disclose reasons why that method was not performed or omitted.

8. Purpose of the Appraisal Report

This section describes the concise statement of the problem. This sets the limits of the Appraisal Report, eliminates any ambiguity about the nature of the assignment, and identifies the:

- Real estate to be appraised
- Property rights involved
- Date of the value estimate
- Date of the inspection
- Intended Use and Intended Users of the appraisal
- Definition of Market Value; USPAP or UASFLA (Yellow Book), whichever is applicable and cite the source(s).
- Other limiting conditions, such as extraordinary assumptions or hypothetical conditions, are required to be clearly explained; do not hide these important statements in boilerplate verbiage.

NOTE: Most of this information, aside from the Market Value Definition, may already have been detailed in the Letter of Transmittal, Summary of Salient or Pertinent Facts or the Scope of Work, or other sections at the appraiser’s discretion. Avoid repeating unless performing a Yellow Book, which requires a dedicated section for the Purpose of the Appraisal.

PART II - FACTUAL DATA, ANALYSIS, AND CONCLUSIONS

This part comprises the factual data, analysis, valuation estimates and conclusions of the Appraisal Report.

9. Real Estate Market Conditions & Area Data

Market activity and level of the current real estate market conditions including supply and demand factors affecting the area as well as specific type of property and future indicated trends shall be discussed in detail and the extent to which they affect the value of the property being appraised. If land value surveys are cited, copies of those cited should be included in the *Addendum* (Part III) of the Appraisal Report.

10. Contamination Statement

A contamination statement to include a discussion of wells, solid waste and/or hazardous waste, waste disposal and above or underground storage tanks either on or in the area, that may have direct or indirect effect on the appraised property.

11. Legal Description and copy of Deed and/or Contract of last conveyance of the appraised property

These items **must** be included in the Appraisal Report.

12. Landowner Contact Statement (Required for Yellow Book also)

This statement **must** be included and must indicate that the land owner/representative was given the opportunity to accompany the appraiser on a formal inspection of the appraised property, whether or not the invitation was accepted, and what the outcome of that acceptance was; eg, "Was the owner actually present for the inspection?" In the unlikely event that the appraiser was denied permission to inspect the appraised property it should be so stated. The Landowner Contact Statement should also include the date of the inspection.

13. Appraised Subject Property Data

A narrative description of the land, all improvements and other factors must be included.

- The description of the appraised property should include:
 - the shape, dimensions and land area in acreage (gross to be estimated by the appraiser and net taxable from the respective county assessor), as well as comparative effects of size or shape from a market value standpoint;
 - Legal and physical access **NOTE:** If there is legal access by easement only, a copy of the recorded easement must be included in the *Addendum*. If a recorded copy of the easement cannot be produced in the Appraisal Report, at least the recording information must be included. It is incumbent upon the appraiser to reasonably obtain either the easement or information with regard to the access easement from the property owner or from other sources. **NOTE:** This is access to the typical market buyer, not that intended for City, County, or State use.
 - a plot plan or plat, indicating the location of utilities and easements, when available and/or when applicable;
 - types of soils and soil bearing capacity, topography, grading or fill requirements, natural drainage and/or tiling, easements, rights-of-way, canals, wells, streams, and any other characteristics which could affect the parcel's value; physical access to the appraised property, including the number of actual farm entrances, if applicable, vegetation, including harvestable timber and species, and any wildlife or endangered species (wildlife or plant life) encountered, if applicable
- Improvements -
 - Describe, in some detail, each structure, including structural and construction details, number and type of units, age and size of buildings, and the condition of each, along with discussion of its function, utility and analysis of layout. **NOTE:** When stating the estimated value in the Summary of Salient Facts section, this value must show the allocation of Land and Improvements of the Total Value, if improvements are estimated to have any contributory value. If performing a Yellow Book appraisal, allocation of the land component should be broken out as well (cropland, CRP, timber, pasture, WRP, EWP, etc.); this may be required or at least requested of a USPAP-only appraisal as well.
 - A plat or aerial photo showing the location of multiple the buildings should be included. It is imperative that an interior inspection be completed on dwellings, commercial or other significant building improvements. For example, if a property includes a habitable dwelling or a commercial building that the appraiser determines does contribute to the overall value of the property, the interior of that dwelling or building must be inspected and reported; a simple, drive-by inspection is not acceptable.
- Assessed Value and Annual Tax Load - Include the current assessment of land and improvements separately and the dollar amount of real estate taxes and mill levy/tax rate. In this discussion, the report should reflect opinions as to the effect of this tax burden upon the marketability of the property. Special assessments should be separated out and discussed. The report should determine if the site area, or any portion thereof, is subject to special assessments. The appraiser is cautioned that comparable Sales used should be carefully analyzed for such assessments and adjusted accordingly on a comparative basis with the appraised property.
- Zoning - Indicate the existing zoning for the appraised property, including a definition and the restrictions of such zoning, including height limitations, setback (front, rear, & side) and parking requirements, etc., the latter of which certainly should be known for commercial buildings. It should also be indicated if the property is presently operating with a variance to the existing zoning or if it is considered a legally, non-conforming use. The report should discuss the effects of such zoning related to the highest and best use upon the marketability of the

property being appraised and whether or not any prospective change in zoning is indicated or probable. When zoning analysis is pertinent to the credibility of the report, include a copy of the portion of the Zoning Ordinance that applies to the appraised property in the *Addendum*. Discussion should be included if the appraised property is subject to a comprehensive land use plan, the projected zoning authority and classification and the likelihood or potential of that annexation and rezoning and resulting marketability.

- Property History -
 - USPAP requires a **3-year** history of conveyance **and analysis of the most recent sale, relative to the report's estimated market value for the appraised property**
 - UASFLA (Yellow Book) requires a **10-year** history of conveyance **and analysis of the most recent sale, relative to the report's estimated market value for the appraised property**

NOTE: Whichever standard is applicable, the property history must be included in the report. This would include: the date acquired by the present owner, price paid, and whether the transaction is considered an arm's length transaction at the time of acquisition. In the scenario of the report presenting a value estimate which is substantially variant of the price paid by the present owner, the reason and justification for the price paid by the present owner (if known), along with the reason and justification for such difference from the report's estimate, should be fully discussed in the report. The disposition of the current owner regarding the most recent sale (acquisition) of the property, as well as whether there was any threat of condemnation, should also be discussed in the property history. If a recent sale of the appraised property is used in the valuation process, then appropriate adjustments should be made to bring that sale up to the date of the appraisal; conversely, if a recent sale of the appraised property is not included in the valuation process (used in the Sales grid with other comparable Sales), it is incumbent for the report to explain why this information is not pertinent.

- Pending Sales, options, or listings - It is mandatory under USPAP that the report describe any current listings or pending Sales involving the appraised property. Such options or pending Sales must be analyzed, described and considered in the valuation process. **Failure to do so is a violation of USPAP.**
- Weighted CSR - The estimated Corn Suitability Rating (CSR) should be included, when applicable. CSR is a primary unit of comparison for most tillable land but is of lesser importance in the valuation of non-tillable land. This distinction should always be addressed and described in the appraisal report. Currently, **CSR²** numbers are being reported so, if the prevailing data used by your peers include or primarily feature CSR², then this should be reported and maps included as well, or in lieu of only CSR.
- Drainage and fencing - Subsurface drainage tile, or lack thereof, should be described and considered in the valuation process when tillable land is involved. It is also important to describe the propensity for flooding and the potential "value impact" it may have. Natural drainage should also be described, including rivers, creeks, ditches and other natural drainage ways and tiling. Perimeter and other fencing should be briefly described, including the overall condition. If there is no fencing, then a simple statement to that effect will suffice.
- Governmental Programs or USDA Data - these include crop acres, base acres and yields, erosion classifications (HEL or NHEL), Conservation Reserve Program (CRP), Wetlands Reserve Program (WRP) or Wetland Reserve Easement (WRE, the newer acronym), Emergency Watershed Protection Program (EWP), and IHAP (and associated Costs) - all of which may have an effect on the market value estimate of the appraised property.

NOTE: Not only is a description of the program or easement encumbering the Property and the impact upon market value required in the report, but a copy of the program terms and recorded easement/survey must be included in the Appraisal Report or *Addendum*. This requirement refers to conservation easements as well. Appraising conservation easements can prove to be complex appraisal assignments and require substantial appraisal experience and education in appraising, thus it would be helpful if an appraiser has attended a conservation easement seminar and, at best, has taken a conservation easement course and passed a monitored exam.

14. Analysis of Highest and Best Use (& Larger Parcel Determination, in Yellow Book Appraisals)

This section should contain narrative discussion of the appraiser's conclusions and reasons thereof, concerning the highest and best use of the appraised property. If the property is presently developed to its highest and best use, it should be so stated. If the property is not developed to its highest and best use according to the appraiser, the appraiser's opinion as to what he/she deems is the highest and best use, including justification and reasoning for the differing opinion, should be included. The highest and best use should be reflective of the existing and/or prospective zoning of the property; however, this is not always the case. The comparable Sales selected by the appraiser should be of the same or very similar highest and best use as has the appraised property. The highest and best use analysis should include a discussion of each of the four tests: 1) legally permissible, 2) physically possible, 3) financially feasible, and 4) maximally productive.

NOTE: Brief (one, two, or three-word) statements regarding highest and best use are not sufficient or acceptable. The highest and best use, both as vacant and as improved (if improved) must be developed and sufficiently communicated in the report.

Larger Parcel Determination and Discussion - As required by Yellow Book, the appraiser of record must determine the larger parcel. This should be done as part of the analysis of highest and best use and, it is our recommendation that consultation with the DNR could be useful, prior to beginning the appraisal (or soon after). While the determination of the larger parcel is typically the appraiser of record's prerogative, consultation with the eventual reviewing authority is beneficial to all parties involved, as this can help to avoid potential discrepancies, confusion, and can help to speed up the overall review process.

15. Approaches to Value

The three standard or recognized approaches to value include: the *Cost Approach*, the *Sales Comparison Approach*, and the *Income Capitalization Approach*. The report should include a description of the three approaches and/or to discuss reasoning and justification for omitting one or more of these standard approaches.

16. Value Estimate by the Cost Approach

This section should include: computations and data, arranged in sequence beginning with the reproduction or replacement cost, and should state the source (namely, the section and page, if a national cost service, such as the Marshall Valuation Service) of all figures used. The dollar amounts of physical deterioration and functional and economic obsolescence, or the omission of same, must be explained in a narrative form. This procedure may be omitted on improvements, both real and personal, for which only a salvage or scrap value is estimated. Market support for depreciation could be included, either with comparable Sales or other recognized sources, but is not required.

NOTE: UASFLA (Yellow Book) discourages the use of published tables or age-life computation and states the use of such methods should be avoided if possible.

17. Value Estimate by the Sales Comparison Approach (*Land Valuation, unless determined prior to or within the Cost Approach*)

This section must include the opinion of the appraised property value, as substantiated by records of Sales and offerings of similar comparable properties in the market. All recent relevant Sales should be listed and reflected in this section. Differences should be addressed in the form of mathematical adjustments for market conditions (formerly described as "time"), size, terms and/or motivation, location, physical characteristics, improvements, highest and best use, and other such factors, as may be pertinent. All adjustments must be clearly stated and explained with regard to the sale property's comparability to the appraised property. In the situation where there are no directly comparable or recent Sales of properties, it may be necessary to use older Sales, less comparable properties, or to expand the market area to secure an adequate number of Sales to support the value estimate. If the decision is made to go outside the local market area to find Sales of comparable properties, it is incumbent to explain in the report why this is necessary and to discuss similarities or differences between market areas; simply stating that there are no recent comparable Sales in the appraised property area is insufficient.

A comparative Sales adjustment table, aka a “market data grid” is highly encouraged and should include quantitative and/or numeric adjustments to be applied to the comparable Sales as percentages or dollar amounts. In addition to quantitative adjustments, a report is encouraged to include qualitative adjustments in the analysis of Comparable Sales.

Qualitative adjustments, considered a relative comparison analysis, are not expressed as dollar or percentage amounts (they are noted as Inferior, Superior, or Similar, or given signs, such as +, -, or =). Qualitative adjustments are typically appropriate when quantitative adjustments simply cannot be made or justified. A comparative Sales adjustment table should be included, except in those instances where the said table/grid requires adjustments that are too large or the range of value indications is too broad to be considered reasonable. In those instances, support of the value estimate can be described in a narrative, “paragraph-style” format.

NOTE: Listings of comparable properties should not be included in the market grid tables, but it is highly encouraged to include and discuss them following the grid, which can be done before or after the value indication by the Sales Comparison Approach in reconciliation within that approach or within the final reconciliation.

NOTE: Comparable Sales to/from condemning authorities (Federal, State, County, City, or Utilities, etc.) are considered unacceptable. Comparable Sales to quasi-government, not-for-profit land trusts and groups, and other government entities (County Conservation Boards), and which do not involve condemnation proceedings, are discouraged, yet can be used with clear explanations although caution is advised for these types of Sales. In other words, if the Sale meets the criteria of an arm’s-length transaction and meets the definition of market value (“tested in the market”), then that Sale can be used, but sufficient explanation is still necessary. If in doubt whether a Sale should or should not be used, err on the side of caution and contact (email or call) the DNR Review Appraiser for guidance.

18. Value Estimate by the Income Capitalization Approach

This section should include all adequate and factual data to support each figure and factor used and shall be arranged in detailed form to show at least, (a) the estimated gross rent or income; and (b) an itemized estimate of total expenses, including any Reserves for Replacements for the appraised property. Capitalization of the net operating income should be at the rate prevailing for the type of property and location. The capitalization technique or methodology, along with the capitalization rate selected, should be fully explained in narrative form and should be fully supported by verifiable market data which also must be included. Capitalization rates should be supported with overall rates derived from the Comparable Sales used in the Sales Comparison Approach (or additional Sales produced by the appraiser) or from other established techniques, such as the Band of Investment. Simply inserting an unsupported capitalization rate and not discussing a process is not sufficient. If Discounted Cash Flow analysis is pertinent to the analysis, then supported discount rates are also required.

19. Partial Acquisitions - “Before and After” Method (mostly in Yellow Book, but can be done in USPAP)

If there is a partial acquisition involved, it may be necessary to perform a “Before & After” method within the Appraisal Report. This may be helpful to obtain a difference in the values to get a value of the “taking,” also known as “value loss” due to the taking (or an easement). This method may also be helpful if there are damages expected to the remainder parcel as a result of the “taking.” If a “Before & After” method is employed, provide the values for both the “Before & After” conditions (the only two required to be reported by federal law), but also provide the value of the “taking” of the proposed acquisition or value loss as a result of the taking (or easement).

20. Allocation and Explanation of Damages (required in Federal “Yellow Book”)

In the case of partial takings, as discussed above, damages - sometimes referred to as “severance damages” - must be fully described and allocated. If the part “taken” is part of a larger parcel, the relationship to the larger parcel to the part “taken” must be fully described. If it is the appraiser’s opinion that there are no damages, it should be so stated, along with the reasons. If there are no damages resulting from the part “taken” from the larger parcel, then the “before” and “after” format may not be necessary. Therefore, the method of estimation and the actual valuation must be fully discussed and supported by justifiable evidence or persuasive argument. Failure to address potential damages will result in the reviewer not accepting the appraisal report until severance issues are properly addressed.

21. Reconciliation and Correlation of Value Estimates

In this section, the report must include a narrative discussion wherein interpretation and weighting of all of the foregoing valuation estimates is shown. This includes all other pertinent factors affecting value, along with reasons why one or more of the three approaches to value is the best indicator of the market value of the appraised property. The scope of this final reconciliation is dependent upon the purpose and complexity of the appraisal problem as well as the adequacy or inadequacy of pertinent data displayed and the methodologies which have been carried out. All of this will be thoroughly discussed so that the report's reasoning and conclusions are beyond question and unambiguous.

22. Certification of Appraiser(s)

As a minimum, the appraiser's certification should include the following statements:

- That the appraiser has no undisclosed interest in the property, or contemplated interest.
- That the appraiser's employment and his/her compensation are not contingent upon the valuation found.
- That the appraiser has personally inspected the property (and if not, then state as such).
- That according to the appraiser's best knowledge, everything contained in the report is true and that no important facts have been omitted or overlooked.
- That the appraisal has been made in accordance with the standards of practice or code of ethics of the professional group or association in which the appraiser holds membership.
- That the values required of the described appraised property are a specified number of dollars as of a certain effective date.
- Per the CONDUCT Section in the USPAP ETHIC'S RULE, the appraiser should disclose - to the client (prior to engagement) and in the report certification of the appraisal report - whether or not any appraisal or appraisal review services regarding the subject property were performed by the appraiser within the prior three years, as an appraiser or in any other capacity.
- Signature of the appraiser(s)

PART III - ADDENDUM

This part must include: the engagement letter (or email) or contract, all exhibits, charts, plans, graphs, maps, photographs, reports, documents, specifications, detailed estimates, etc., which may be referred to in this report or are used to further substantiate the findings or are considered pertinent thereto. Many of these exhibits can be placed elsewhere in the report, at the appraiser's discretion, but at a minimum, each report should include this data somewhere. All exhibits must be presented in a neat, attractive and convenient manner. All charts, maps, graphs, etc., must be prepared in a professional manner. For example, if the appraised property is located on the southwest corner of an intersection, and the map shows this intersection, then the appraised property tag should be placed in that corner (not just in the general area).

23. Engagement Letter (or Email), or Appraisal Contract

As noted previously, this is an important and required document of communication between the client and appraiser of record, detailing the appraisal assignment conditions.

24. Pertinent Maps of the Appraised Property

The *Addendum* should include any other pertinent maps for the appraised property, such as County Auditor's map, aerials, or subdivision or other plats outlining or otherwise identifying the appraised property.

25. Comparable Sales Location Map

The appraised property should be shown and identified on this map to indicate the relationship of location between the appraised property and the Comparable Sales. All Sales should be numbered. The Comparable Sales location map(s) must be sufficient for the reviewer to readily locate and inspect the Comparable Sales.

26. Qualifications of the Appraiser(s) and State of Iowa Certified General Real Property Appraiser License

At the appraiser's discretion, this could be a resume or curriculum vitae, including appraisal courses taken. The most current State of Iowa renewal license should also be included (Not the original certificate, but the two-year renewal proof of license certification card).

27. Soil Conservation Practice Refund or other USDA Information

The County Soil Conservation District should be contacted to see if the appraised property is affected by any cost-share refund agreement relating to the installation of soil conservation practices. If so, report the findings and determine if and/or how it impacts the market value of the property.

28. Detailed Description (Write-up) of Comparable Sales

This is a critical segment of the report and often the most overlooked. A detailed Sales analysis should be included for each Sale (at least one page) and should include, along with any other things which the appraiser deems pertinent, the following:

- Photographs of any dwelling or other buildings and improvements which contribute value
- Names of both the Grantor and Grantee
- *Verified* Sale Price (and any adjustment after the Sale, determined by the appraiser)
- Name of person (competent party) who verified the Sale to the appraiser; a phone number is not required.
NOTE: Simply stating "Public Records" or stating "Verified" (of the Public Record or with a source) is not sufficient. The name of the source of verification (name of the grantor, grantee, real estate agent and/or attorney) that the appraiser (or the appraiser's firm colleague) contacted by telephone, mail, or email is required. Courthouse documents, including Declaration of Values, can be incorrect or at least not substantial in providing the appraiser with the all information and motivations necessary to understand the Sales and produce credible assignment results (e.g. family sale, 1031 tax exchanges, etc.).
- Date of Sale
- Type of Transfer Document (Deed, Contract, Quit Claim Deed, etc.)
- Recording Data: (Date, Book and Page)
- Dollar Amount of Revenue Stamps, if applicable
- Breakdown of Sale Price:
 - Dollar amount allocated to the Land - in cases where there is a mix of land types, an appropriate allocation should be assigned to each type, such as tillable land, timber, building site, CRP, WRP, EWP, etc.
 - Dollar amount allocated to the Improvements and/or Personal Property, if any
- Terms of Sale - contract Sales that are not cash equivalent should be given an appropriate cash equivalency adjustment and those that are equivalent to cash should be described as such
- Improvements at the time of sale should be described in detail
- Highest and Best Use (at the time of the sale; and if changed following the sale, if applicable)
- Zoning (at the time of the sale; and if changed following the sale, if applicable)
- Location/Access (proximity to towns/cities and the type of access, such as paved, gravel, or dirt road or access by easement)
- Assessment Data (when relevant)
- Average Corn Suitability Rating (CSR or CSR²), where applicable
- Overall Capitalization Rate, preferable derived from the market, where applicable (Including any Discount Rates used)
- Remarks - include any information which describes to the reviewer/reader not only about the physical features of the property, but also any pertinent information about the transaction, future use or anything else that may be useful in understanding the transaction
- Farm Service Agency (FSA) and/or other quality, **aerial photo with the sale property identified (outlined or highlighted) must be included for each comparable sale**; soil maps of the comparable Sales are also useful in understanding comparability to the appraised property and are encouraged for properties with tillable acres

29. Other Pertinent Exhibits

This would include: charts, graphs, historic income and expense data of the appraised property or comparable rental properties, detailed cost estimates, abstracts of leases, or conservation easements, etc.

30. Special Reports

Denotes any report prepared by a technical specialist hired by the appraiser of record in connection with the Subject appraisal., such as a "timber cruise," by a certified forester or arborist.