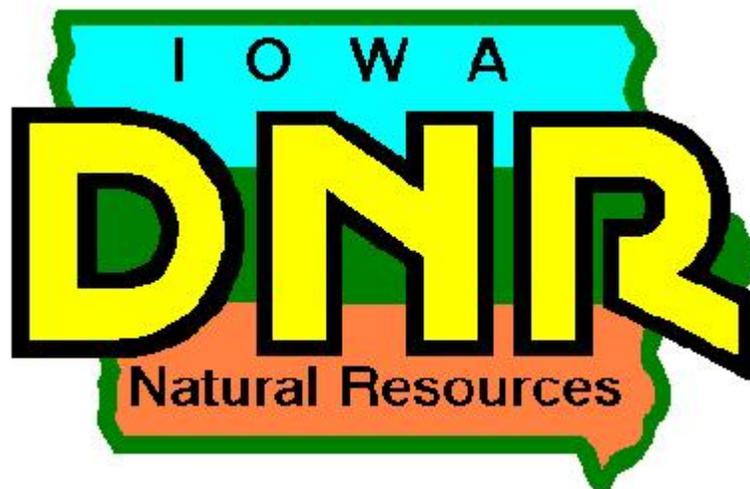


**IOWA DEPARTMENT OF NATURAL RESOURCES  
REAL ESTATE APPRAISAL REPORT GUIDELINES**

**FOR GRANT REIMBURSEMENT APPLICATIONS**

(Revised: January 2016; Effective: January 1, 2016)



The intention and purpose of the following information is to assist governmental agencies and non-profit groups, and the certified general real property appraisers they hire to perform appraisals on their behalf, in understanding the requirements for performing real estate appraisals for the purpose of grant applications submitted to the IA DNR.

**Section I** of these guidelines is intended to provide the governmental agencies and non-profit groups (the client) and the appraiser necessary information regarding the types of appraisal standards and funding sources guiding the appraisal standards the engaged appraiser should follow. This also includes the IADNR Review Authority Statement, and Definitions of Market Value for both appraisal standards – the Uniform Standards of Professional Appraisal Practice (USPAP) and the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA, also known as the “Yellow Book”).

**Section II** includes supplemental guidelines primarily intended for the contracted appraiser in performing appraisals subject to the appraisal’s Scope of Services outlined by the client (grant submitter). **The Scope of Services must be clearly spelled out in the form of an Engagement Letter or Contract with a copy of said document 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 IADNR reviewer as to those instructions.

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

1) Name of the Client

**NOTE: The IA DNR is not the client for these reports.**

2) Purpose of the Appraisal Report

3) Intended Use of the Appraisal Report

4) Intended Users of the Appraisal Report

**NOTE: The DNR must be included as an intended user for the IA DNR to review the appraisal report for grant reimbursement.**

5) Specific Appraisal Standards to follow

6) Type of Appraisal Report within the Appraisal Standards

The burden of closely adhering to Section II of the Appraisal Guidelines is placed upon the appraiser of record, though with the assurance that the IA DNR will be available to the appraiser for guidance in the appraisal format to be followed, if needed. 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.

**NOTE: The *Restricted Appraisal Report* will not be accepted. However, UAAR form reports, which include the necessary parameters per UASFLA (Yellow Book), USPAP, or IA DNR standards, are an acceptable reporting format for the IA DNR though should be performed at a minimum level according to a *Self-Contained Report* per Yellow Book and/or *Appraisal Report* according to the current edition (2016-2017) USPAP Standards 2-2(a). Narrative or form reports, whether identified by the appraiser in a Yellow Book appraisal as a *Self-Contained Report* or *Summary Report*, will be considered as meeting the USPAP requirement for an *Appraisal Report* according to the current edition (2016-2017) USPAP Standards 2-2(a). Typically, if requesting an appraisal to be performed only to USPAP Standards, that appraisal shall be performed and identified as an *Appraisal Report* according to the current edition (2016-2017) of USPAP Standards 2-2(a).**

If you have questions regarding any of the following guidelines, format, sequence, or additional information, please either: call Steve Salsberry, IA DNR review appraiser, Office of Realty Services, at (515) 725-8459, or email Steve at [steve.salsberry@dnr.iowa.gov](mailto:steve.salsberry@dnr.iowa.gov). Thank you and we look forward to working with you.

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## SECTION I

### APPRAISAL STANDARDS, FUNDING SOURCES, IA DNR REVIEW AUTHORITY STATEMENT, and DEFINITIONS of MARKET VALUE

#### APPRAISAL STANDARDS

Appraisals to be reviewed by IA DNR reviewers typically involve two types of appraisal standards and corresponding written appraisal reports:

1. **USPAP** - Uniform Standards for Professional Appraisal Practice (*Appraisal Report*), and
2. **UASFLA or “Yellow Book,”** – Uniform Appraisal Standards for Federal Land Acquisitions (*Self-Contained Report*)

An electronic (pdf) version of the Yellow Book/Uniform Appraisal Standard for Federal Land Acquisitions can be found at: <http://www.justice.gov/enrd/land-ack/Uniform-Appraisal-Standards.pdf>

#### FUNDING SOURCES

Much of the funding is made through grants. There are two types of funding sources:

1. **State** – Sources include monies for outright acquisitions, which include certain REAP Grants:
  - A. Specifically, City and County
  - B. Marine Fuel Tax
  - C. Blufflands Protection
  - D. REAP Public/Private
  - E. Habitat Stamp Grants (Fish & Wildlife)
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: Prior to April of 2012, the majority of appraisal assignments involving Federal and specific State funding (REAP Public/Private and Habitat Stamp Grants – Fish & Wildlife) required appraisal standards to be performed and compliant to Yellow Book (and USPAP). However, due to many Federal Agencies gravitating toward USPAP-only standards for the majority of appraisals subject to federal grants, the IA DNR is no longer requiring appraisals with these funding sources to be performed to Yellow Book, unless the appraisal involves a complex appraisal problem involving complex partial acquisitions or mineral rights or where there is an older grant involved which still requires Yellow Book standards. Thus, it may be necessary to perform those appraisals to Yellow Book standards in a *Self-Contained Report* (which should meet the minimum in an *Appraisal Report*, according to 2016-2017 USPAP Standards 2-2(a), so please contact IA DNR Wildlife executive officer Todd Bishop at 515-238-6461, for guidance and approval of the correct standards to be used. This approval and resulting appraisal standard should be documented in the engagement letter to the appraiser and a copy of the engagement letter shall be included in the Addendum of the appraisal report. OTHERWISE, ALL APPRAISALS, FOR STATE AND FEDERAL FUNDING, SHOULD BE PERFORMED TO USPAP ONLY IN AN *APPRAISAL REPORT*, ACCORDING TO THE 2016-2017 USPAP STANDARDS, 2-2(a).**

## IA DNR REVIEW AUTHORITY STATEMENT

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

Deficient reports not in compliance with USPAP or Yellow Book will not be approved. However, deficiencies will be addressed by the reviewer with the shared goal (of the client and IA DNR) of attaining compliance and thus approval of the appraisal report for use by the IA DNR in grant reimbursement program. If deficiencies cannot or will not be addressed, the IA DNR will suggest obtaining another appraisal to be reviewed.

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 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, etc.).

Major – Deficiencies major in scope then would 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.

The IA 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 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 the IA DNR to directly contact the appraiser. The reviewer typically 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 IA DNR in the form of an electronic submission (PDF) of a full report or single pages, 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 the IA 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 to Kathleen Moench, IA DNR Budgets and Grants, for processing of the grant reimbursement.

## DEFINITIONS of MARKET VALUE

### 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, 4<sup>th</sup> Edition, Appraisal Institute)*

**NOTE: Citation of the source of the Market Value definition is also required, per USPAP.**

### For Appraisals Requiring UASFLA (“Yellow Book”) Compliance

Transactions involving Federal funding require the market value definition from page 30 of the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA – aka “Yellow Book”). This definition is:

“The amount in cash, or 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 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 appraisal.”

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

## SECTION II - APPRAISAL REPORT FORMAT, SEQUENCE, & INSTRUCTIONS

(Specifications and Instructions for Preparation of Appraisals for Review by the IA DNR)

### PREFERRED APPRAISAL REPORT FORMAT

The written Appraisal Report shall be prepared in 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 shall be sized 8½" x 11" on a sturdy, white, stock bond. Following the Cover or Title Page and Letter of Transmittal, there shall 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 shall 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 numbered, and it would be helpful but 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 IA DNR format guidelines as long as the necessary reporting requirements for the standards pertinent to the appraisal report are included (*Self-Contained Report for Yellow Book and Appraisal Report for USPAP*). The form report should also be numbered properly, especially beyond the Table of Contents page.**

**NOTE: For review purposes, the IA DNR can review a hard copy of the appraisal report, but may request an electronic file (pdf), especially when reviewing any revisions made to the original report.**

### 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 shall 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

Shall 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

Shall 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: The IA 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: **The IA DNR must be named as a co-intended user of the appraisal report in order for the IA 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)
- Signature of Appraiser (Seal or digital signature(s), if applicable) and appraiser's general certification number

#### 3. Table of Contents

This shall 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; also, Yellow Book requires a higher standard for captions (date and name of person taking photos).**

#### 5. Statement of Assumptions and Limiting Conditions

This shall 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 exists but are supposed for the purpose of the analysis, sometimes given by the client).

## **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 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)
- 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:
  - o Improvements
  - o 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)
  - o Severance or other damages (if applicable)
  - o 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 IA DNR in performing the appraisal. The appraiser may describe appraisal valuation methodology in this section or in corresponding sections throughout the report. If a valuation method is not used, the appraiser must disclose reasons why that method was not performed.

## **8. Purpose of the Appraisal**

This section describes the concise statement of the problem. This sets the limits of the appraisal, 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 have already 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 section 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 affect 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 only for Yellow Book)**

This statement **must** be included and shall 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 shall be included.

- The description of the appraised property shall include:
  - the shape, dimensions and land area in acreage (gross to be estimated by 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 shall 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.**
  - 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, drainage, 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

## Appraised Property Data (Continued)

- Improvements –
  - Describe 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 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 by the appraiser 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 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 appraiser should reflect his/her opinion as to the effect of this tax burden upon the marketability of the property. Special assessments should be separated out and discussed. The appraiser 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. It should also be indicated if the property is presently operating at a variance to the existing zoning or if it is considered a legally, non-conforming use. The appraiser 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 available it is important to 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 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 estimated market value for the appraised property

Whichever standard is applicable, the property history must be included in all appraisals, which 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 appraiser 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 appraiser's estimate should be fully discussed by the appraiser. 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 upon the appraiser to explain why this information is not pertinent.

## Appraised Property Data (Continued)

- Pending Sales, options, or listings – It is mandatory under USPAP that the appraiser describes 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.
- 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. 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), Emergency Watershed Protection Program (EWP) - all of which may have an effect on 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 shall 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. At a minimum, an appraiser should have attended a conservation easement seminar and, at best, taken a conservation easement course and passed a monitored exam.**

### **14. Analysis of Highest and Best Use**

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 highest and best use as 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 IA DNR is important prior to beginning the appraisal (or soon after). While the determination of the larger parcel is the appraiser of record's duty, consultation with the eventual reviewing component is beneficial to all parties involved as this can help to avoid potential discrepancies, confusion, and can 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*. It is incumbent upon the appraiser to describe the three approaches and/or to discuss his/her reasoning and justification for omitting one or more of these standard approaches.

## **16. Value Estimate by the Cost Approach**

This section shall include: computations and data, arranged in sequence beginning with the reproduction or replacement cost, and shall 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, shall 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 should be included either with comparable Sales or other recognized sources. Simply assigning unsupported or undocumented depreciation estimates is not acceptable.

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

## **17. Value Estimate by the Sales Comparison Approach**

This section shall include the appraiser's 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 shall 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 shall 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 appraiser decides he/she must go outside the local market area to find Sales of comparable properties, it is incumbent upon the appraiser to explain why this was 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, a.k.a. a "market data grid" is required 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, an appraiser may include qualitative adjustments in their analysis of Sales. Qualitative adjustments, considered a relative comparison analysis, are not expressed as dollar or percentage amounts (they are +, -, or + AND Inferior, Superior, or Similar). Qualitative adjustments are typically appropriate when quantitative adjustments simply cannot be made or justified, but the use of such adjustments should be kept to a minimum. 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 they can and should be discussed following the value indication by the *Sales Comparison Approach* estimated by the appraiser.**

**NOTE: Sales to/from condemning authorities (Federal, State, County, City, or Utilities, etc.) are considered unacceptable. Sales to quasi-government, non-for-profits, and County Conservation Boards (the latter of which do not involve condemnation proceedings) are discouraged, yet can be used with clear explanations, though 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, then the 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 IA DNR Review Appraiser for guidance.**

**18. Value Estimate by the Income Capitalization Approach**

This section shall include adequate 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 shall be at the rate prevailing for the type of property and location. The capitalization technique or methodology, along with the capitalization rate selected, shall be explained in narrative form and shall 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 your process is not sufficient.

**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 *Self-Contained Report* or the USPAP’s *Appraisal Report*. This is helpful to obtain a difference in the values to get a value of the “taking,” also known as “value loss” due to the taking. 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.

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

In the case of partial takings, as discussed above, damages - sometimes loosely 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 is not required. 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 appraiser shall include a narrative discussion wherein he/she has interpreted all of the foregoing valuation estimates, as well as 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 appraiser’s reasoning and conclusions are beyond question and unambiguous.

**22. Certification of Appraiser(s)**

As a minimum, the appraiser’s certification shall 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
- 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 ETHICS RULE, the appraiser should disclose - to the client 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 section shall include: 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 appraiser's 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 appraiser's map shows this intersection, then the appraised property tag should be placed in that corner (not just in the general area).

#### **23. 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.

#### **24. 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.

#### **25. 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 license should also be included (Not the original certificate, but the two-year proof of license certification card).

#### **26. 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.

#### **27. Detailed Description (Write-up) of Comparable Sales**

This is a critical segment of the report and often the most overlooked. A detailed Sales analysis shall 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 that contribute value
- Names of both the Grantor and Grantee
- Verified Sale Price
- Name of person (competent party) who verified the sale to the appraiser; a phone number is nice, but 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 or attorney) that the appraiser contacted by telephone, mail, or email and who confirmed the sale information is required. Courthouse documents can be incorrect or at least not providing the appraiser with the all information necessary to produce credible results (eg., 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.

## **Detailed Description (Write-up) of Comparable Sales** (Continued)

- 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), where applicable
- Overall Capitalization Rate, derived from the market, where applicable
- Remarks – include any information which describes to the 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

### **28. 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.

### **29. Special Reports**

Denotes any report prepared by technical specialists who are hired by the appraiser of record in connection with the Subject appraisal.