



**Forest Service Appraisals  
Forest Legacy National Meeting  
Salt Lake City, Utah  
May 14, 2014**

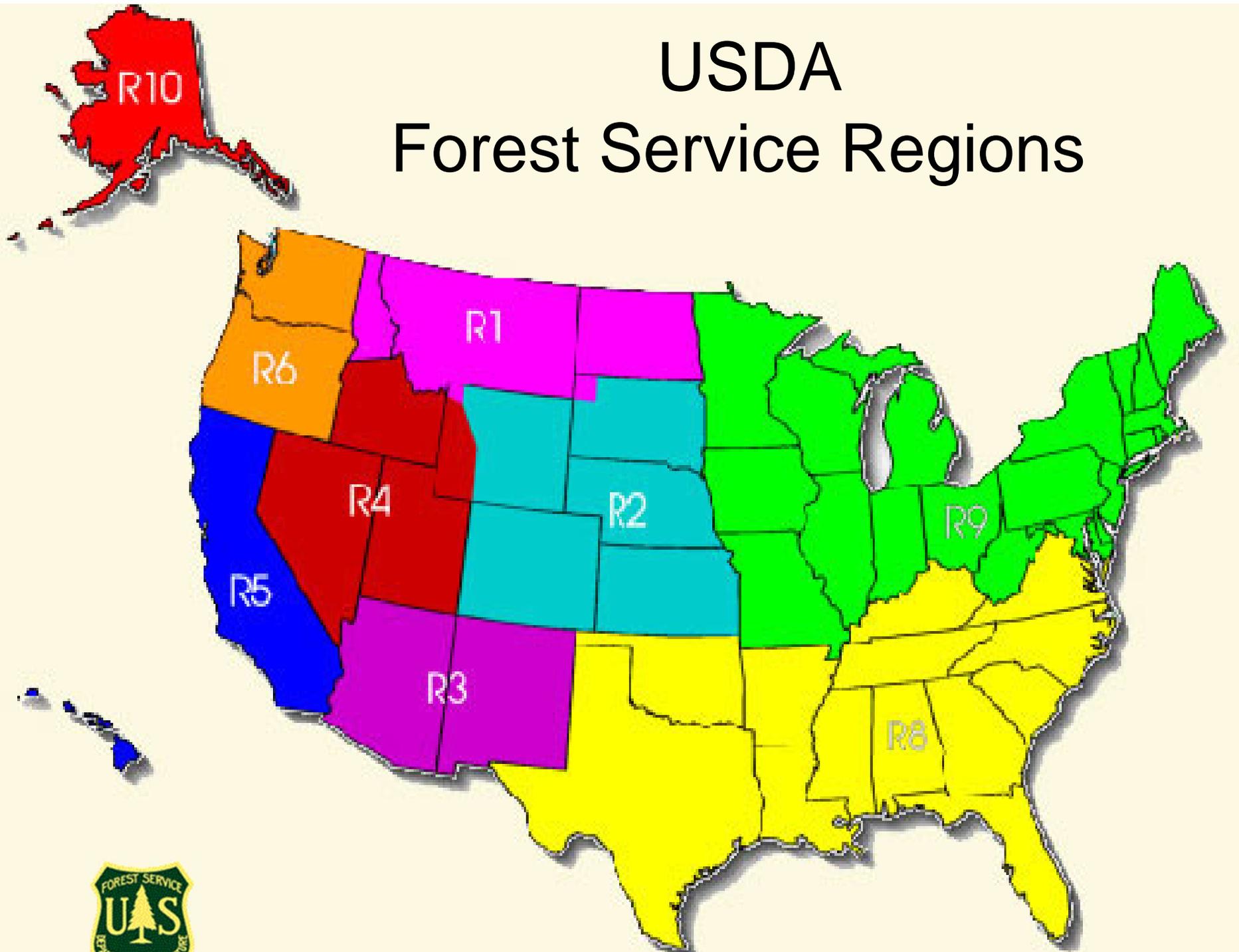
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- **FS Appraisal Organization**
- **State lead and FLP Project Manager roles and responsibilities**
- **Appraiser/Reviewer Roles and responsibilities**
- **Overview of appraisal process**
- **Program Oversight (QAI) and appraisal support**

# USDA

## Forest Service Regions





# USDA Forest Service

## Appraisal Delegation of Authority



**Forest Service  
Chief**

**Chief Appraiser  
Washington, D.C.**

**Regional  
Appraiser  
Region 1**

**Regional  
Appraiser  
Region 2**

**Regional  
Appraiser  
Region 3**

**Regional  
Appraiser  
Region 4**

**Regional  
Appraiser  
Region 5**

**Regional  
Appraiser  
Region 6**

**Regional  
Appraiser  
Region 8**

**Regional  
Appraiser  
Region 9**

**Regional  
Appraiser  
Region 10**



# USFS Appraisers



- Chief Appraiser: Jerry Sanchez, RPRA, (505) 842-3154, [jsanchez01@fs.fed.us](mailto:jsanchez01@fs.fed.us)
- **REGIONAL APPRAISERS:**
- R1: Northern Region, John Hickey, ARA, (406) 587-6783, [jhickey@fs.fed.us](mailto:jhickey@fs.fed.us)
- R2: Rocky Mountain, Tate Curtis, RPRA (970) 874-6607, [tatecurtis@fs.fed.us](mailto:tatecurtis@fs.fed.us)
- R3: Southwestern, Dave McInnis, RPRA (505) 842-3379, [drmcinnis@fs.fed.us](mailto:drmcinnis@fs.fed.us)
- R4: Intermountain, Kraig Frome, RPRA (801) 625-5367, [kfrome@fs.fed.us](mailto:kfrome@fs.fed.us)
- R5: Pacific Southwest, Kimberly Brower, RPRA (858) 674-2965, [kbrower@fs.fed.us](mailto:kbrower@fs.fed.us)
- R6: Pacific Northwest, Craig Bortnem, RPRA (503) 808-2432, [cbortnem@fs.fed.us](mailto:cbortnem@fs.fed.us)
- R8: Southern, Jean Jenvey, SRA (404) 347-2872, [bjenvey@fs.fed.us](mailto:bjenvey@fs.fed.us)
- R9: Eastern, Susan Waller, MAI, RPRA (802) 747-6761, [susanwaller@fs.fed.us](mailto:susanwaller@fs.fed.us)
- R10: Alaska, VACANT



## **Project Managers appraisal Roles and responsibilities (FS or Pvt. appraisers)**

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- **Involve valuation staff early**
- **Plan and provide complete appraisal requests to include issues & project expectations on the estate to be appraised**
- **No influence or pressure on value opinions**
- **Be aware of appraiser ethics and responsibilities**
- **Ensure property interest in deed matches appraisal**
- **Estate appraised matches estate conveyed**



# WHY EARLY AND CLOSE COORDINATION



- **Transactions are complicated**
- **Appraisals are critical component**
- **Timing is crucial**
- **Things change along the way**
- **Manage expectations and risk**
- **Selection/approval of appraiser/reviewer**





# Valuation Staff Roles and Responsibilities (FS or Pvt.)

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- **Provide valuation guidance**
- **Provide cost effective and timely services**
- **Ensure compliance with federal standards**
- **Complete Consultations, Market Studies, Contracting, feasibility analysis, etc.....**
- **Complete appraisal and appraisal review**
- **Manage release of appraisal information**



# Appraisal development



- **Appraisal Requests (Scope of Work)**
- **Feasibility Analysis (Consultation)**
- **Instructions to appraiser (Appraisal Specs)**
- **Appraisals**
- **Appraisal Reviews**
- **Managing release of the approved appraisal**
- **Throughout: Providing assistance to State Agencies and FLP Program Managers**



# Request for Appraisal Services



- **Case background, controversies, if any**
- **Written permission to appraise**
- **Intended users of the appraisal**
- **Other Property Information**
  - **Good set of maps and aerial photos**
  - **Environmental investigations, clearances**
  - **Special access issues, safety, logistics**



# Appraisal Request

## Frequent questions appraisers have before starting appraisal process



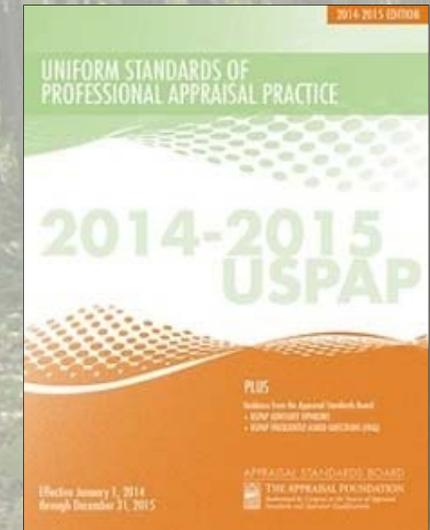
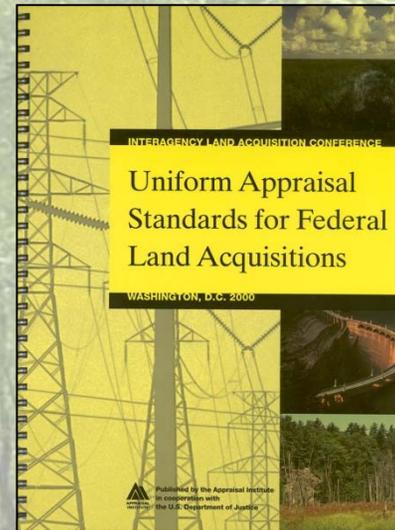
- Fee or partial interest acquisition?
- Split estate?
- Single or phased acquisition?
- Subsurface rights included? Sand, gravel, fill material? Geologists mineral potential report?
- Water rights? Beneficial use? Severability? Intended use?
- Timber inventory? Check cruise? Reliability?
- Phase 1 Hazmat Survey, is an ESA available?
- Conveyance document acreage: Actual or official acres?
- Does physical access coincide with legal access?
- Will encroachments be resolved prior to conveyance?
- Will any of the Schedule B exceptions be removed prior to conveyance or closing?



# Appraisal Standards



- **UASFLA (2000) - Uniform Appraisal Standards for Federal Land Acquisitions**
- **USPAP - Uniform Standards of Professional Appraisal Practice (Updated biennially)**





# Yellow Book / USPAP Comparisons



Issue	UASFLA	USPAP
<b>Identification of Larger Parcel</b>	<b>Required</b>	<b>Not addressed</b>
<b>Partial Interest Acquisition</b>	<b>Use Federal Rule, “before and after”</b>	<b>Can appraise part to be acquired</b>
<b>Subject Sales History</b>	<b>10-year or report of last conveyance</b>	<b>3-year sales history</b>
<b>Inspection of Subject and Comparable Sales</b>	<b>Required</b>	<b>Not required as long as disclosed</b>
<b>Verification of Sales</b>	<b>With seller, buyer or agent and recordation by competent, reliable personnel</b>	<b>Verification not specifically required</b>
<b>Reporting Standards</b>	<b>Essentially “self-contained”</b>	<b>2 reporting options – Appraisal Report or Restricted Appraisal Report</b>
<b>Treatment of Consultant Reports</b>	<b>Accuracy and reasonableness must be confirmed by Appraiser</b>	<b>No Requirement</b>
<b>Landowner Involvement</b>	<b>P.L. 91-646- Landowner offer to accompany appraiser on property inspection</b>	<b>No requirement</b>



# WHAT IS AN APPRAISAL?

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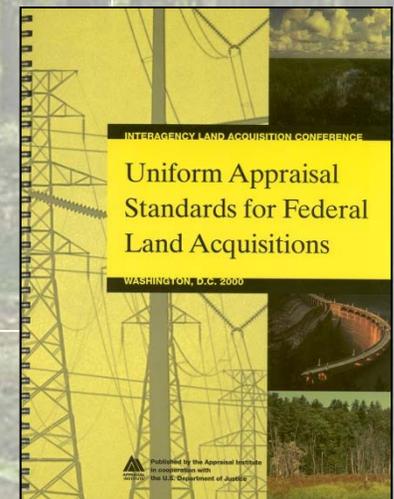
- An appraisal is a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of the lands or interests in lands, as of a specific date, supported by the presentation and analysis of relevant market information.
- Appendix H – Required Qualifications of an Appraiser or Review Appraiser – Defines qualified appraiser and qualified reviewer (FS & Pvt.)



## WHAT IS 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 the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal.”* (UASFLA 2000, p13)





# Market Value, key concepts



- **Cash**
- **Most probable price**
- **Adequate market exposure**
- **Parties are reasonably informed**
- **No undue influence**
- **Economic based vs. Social-Environmental**
- **Date sensitive**



## KEY MARKET VALUE CONCEPTS



- **Willing Buyer and seller are typically motivated**
- **Both parties are well informed or advised**
- **A reasonable time is allowed for exposure in the open market**
- **No duress or special incentives**
- **Cash or financing comparable thereto**



## How are components of value analyzed?



- **USPAP SR-1 – An appraiser must analyze the effect on value of the various estates or component parts of a property and refrain from valuing the whole solely by adding together the individual values of the various estates or component parts.**
- **Yellow Book’s Unit Rule- “...different elements or components of a tract of land are not to be separately valued and added together, appraisers should always clearly state that these elements were considered with respect to their enhancement of the value of the whole.”**



# Larger Parcel & Highest and Best Use



- Essential in the appraiser's conclusion of highest and best use is the determination of the *larger parcel*.
- Three tests used to determine the Larger Parcel:
  - Unity of title-Ownership (Beneficial control)
  - Unity of Use (Integrated highest and best use)
  - Contiguity



# Larger Parcel, cont



- **Only the Appraiser can determine**
  - Must support the determination using the three tests
- **Responsibilities of the Program Specialist**
  - If possible, determine if the property owner, or their company uses other properties in conjunction with the Subject, even if they aren't in the area
- **Larger Parcel is complicated**
  - Best practice is to frontload the process by including everything regarding the estate in the appraisal request and consult with attorneys and appraisers



# Highest and Best Use; Tests



- **Physically Possible**
  - Is it possible to build the necessary improvements on the site?
  - Are infrastructure improvements sufficient to support the use?
- **Legally Permissible**
  - Zoning & Covenants
  - Other land use restrictions, i.e. septic regulations, floodplain, hillsides
- **Financially Feasible**
  - Does the use generate sufficient income to make it worthwhile?
- **Maximally Productive**
  - Of all uses that meet the three above criteria, which returns the greatest income to the land?

# *Highest and Best Use Funnel*

**All Potential or Possible Uses**

**Legal?**

No

Yes

**Physically Possible?**

No

Yes

**Financially Feasible?**

No

Yes

**Maximally Productive?**

No

Yes

**HIGHEST and BEST USE**



# Working with appraisers (FS or Pvt.)

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- **Program staff submits complete Appraisal Request to Review Appraiser**
- **Review Appraiser issues SOW/Appraisal Instructions to contract the appraisal**
- **Review Appraiser and Program staff coordinate a Pre-Work Meeting and Site Visit (often the same day)**
- **Review Appraiser submits Appraisal Review Report to Program staff**
- **Public requests documents under FOIA**



# Working with Appraisers (continued)



- **Completing appraisals**
  - Conducting reviews
  - Providing assistance to State agencies
- **Quality Assurance Inspections (QAIs)**
  - A look back to improve the future
  - Work with FLP managers to address findings
- **General Assistance**
  - Input on teams
  - Answering general questions



# Pre-Work Meeting and Site Visit



- Invite property owner to accompany
- Opportunity for appraiser to obtain factual information, i.e. access, use, sales, leases, land use, etc.
- Review appraisal contract specifications regarding estate to be appraised
- Inappropriate for staff, review appraiser or landowner to give the appraiser special instructions not contained in the specifications
- Do not “lead” the appraiser



# The Appraisal Review



- **The Reviewer decides:**
  - **If the report complies with applicable standards**
  - **if the value opinion is adequately supported**
    - **With adequate data**
    - **With appropriate analysis**
    - **With reasonable conclusions**
- **The Reviewer has the option to:**
  - **Approve the report or disapprove the report**
  - **Reviewers do not approve values**



# Quality Assurance Inspections - Purpose



- **An evaluation of participating FLP States as to how they carry out appraisals and appraisal reviews for FLP projects.**
- **An assessment of the quality of appraisal and appraisal reviews for completed real estate transactions...for the improvement of future appraisals/appraisal reviews.**
- **Information to assist in building appraisal and appraisal review capacity to achieve required standards for FLP appraisal services.**



# QAI Details



- **WO develops an annual QAI schedule**
- **Conduct QAIs every five years.**
  - States need to have closed at least two FLP tracts.
- **Need to coordinate with FLP manager to budget work and schedule QAIs.**
- **Explore cost and time saving opportunities.**
- **Focus on findings.**
- **Different from NFS Compliance Inspections.**



# Summary of QAI findings



- **Larger parcel analysis very brief, does not discuss contiguity, unity of ownership, and unity of use**
- **Appraisers assigning separate values to varying land types (residential, recreation/agricultural, or timberland) adding them up, and applying a discount -- Unit Rule issues**
- **Lack of instructions for appraisal assignments (if provided, not mentioned in the appraisal)**
- **Pre-work meetings with appraiser, reviewer, landowner are rare**
- **Review appraisal reports did not discuss inadequacies with larger parcel analysis and conclusions**
- **Title reports not always provided to appraisers**
- **“Draft” conservation easement deed language not finalized when appraisal completed**
- **Two appraisal requirement -- Which appraisal used?**
- **Few State lead agencies have staff appraisers**



## Summary of Findings (continued)



- **UASFLA Certification – Inadequate discussion of property rights appraised and effect on value of outstanding rights, ownerships and determination of unity of ownership not discussed**
- **Appraiser/Reviewer *UASFLA* course work needs to be updated**
- **Valuing potential uses that are based on speculative assumptions or hypothetical conditions**
- **Difficult to track estate appraised and estate ultimately acquired with FLP funding**
- **No indication Review Appraiser participated in developing appraisal instructions**
- **Private Review Appraiser supply is declining**
- **FS Review Appraisers available nationally**
- **QAI findings identify areas for improvement and aid in developing best business practices**



# *Recipe for Train Wreck*



- **Complex assignment**
- **High values**
- **Controversies**
- **More than one appraisal**
- **More than one review**
- **Divergence from appraisal standards**
- **Divergence from agency policy**
- **Others ingredients?**





# Take Home Points

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- **Involve valuation staff early**
- **Frontload the process**
- **Independent nature of appraiser providing opinion of market value**
- **Appraisal review deliberative independent function between appraiser & reviewer**
- **FS appraisal staff available to assist States and FLP Program Managers**



# Questions?

