

Getting the Right Value! Appraisals for Land Conservation

Presented by E. Jenny K. Flanagan

Keystone Consulting Group

7 things appraisers need to know in order to begin an appraisal assignment:

- 1) The client
- 2) The intended users
- 3) The intended use of the report
- 4) The property to be appraised
- 5) The property interest being appraised
- 6) The date of value
- 7) Assignment conditions

**Appraiser
competency**

▪ State certification:

- Certified residential appraiser (one- to four-family residential, single house lots)
- Certified general appraiser (any property type, including subdividable land)

Certification is not the only criterion to be competent to appraise a particular property

▪ Experience and education

- in the property type
- in the reporting requirements
- What to do if not experienced – education, affiliate with experience appraiser

▪ Geographic competency

▪ Recommendations and referrals

▪ Impartiality

▪ BPOs

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Client This is who engages the appraiser. This is who the appraiser is authorized to communicate with, and who can authorize the appraiser to communicate with others.

Intended users Anyone specified by the client at the time of engagement.

- Cannot be added later without a new assignment.
- Does not have to include the property owner

Intended use What are you going to use the appraiser for/why do you need it?
Examples include:

- To assist in determining the purchase price for acquisition of the fee simple interest in land
- For income tax purposes, in association with a conservation donation
- For grant documentation purposes, in support of obtaining funding to acquire a property

The property to be appraised

- At a minimum, it is what is being acquired
- Might also include other property when:
 - a CE will encumber only part of a lot
 - a CE will encumber an entire lot, but the donor also owns the adjoining property
 - If the appraisal is for tax purposes, there may be “enhancement” to be considered
 - If the appraisal is for funding from a federal agency, there may be “larger parcel” concern

Property interest appraised

- Fee acquisition – that is, you are receiving the entire property
- Conservation easement
 - Extinguishes the development right
 - The land trust receives rights (inspection, enforcement)
 - The property owner retains rights (access, limited use, the right to sell)
 - Requires a “before and after” appraisal

Date of value

- Date of inspection
- Date of donation (for income tax purposes)
- IRS’s 60-day rule

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- Type of report**
- USPAP – appraisal report vs. restricted appraisal report
 - Client/intended user appraisal specifications
 - IRS Publication 831 & Form 8283
 - UASFLA (“Yellow Book”)
 - NRCS standards (USPAP or UASFLA)
 - 2-tiered assignments
 - skinny, restricted report for negotiation purposes
 - full narrative appraisal report to support a grant

Before and after appraisals Method of measuring the value of a conservation easement

- Value as if the property IS NOT encumbered by the CE
- Value as if the property IS encumbered by the CE
- The difference is the value of the CE

The value of the CE is *never* a percentage of the unencumbered value.

Effectively 2 appraisals in one report, and is used when:

- A CE is acquired (parts of the rights are acquired)
- A fee acquisition is of a part of the total ownership (part of the property is acquired)

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- Enhancement**
- IRS term, requires property under related ownership to be analyzed to measure any benefit to donor as a result of the donation
 - Related ownership includes donor, donor’s spouse, children, parents or siblings, or corporations or LLC’s that are owned and/or controlled by those parties

Larger parcel ▪ UASFLA term, defined by 3 tests: ownership, contiguity, and unity of use

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- Assignment conditions**
- Reporting requirements of intended users (such as IRS Publication 561, or UASFLA)
 - Extraordinary assumptions
 - Hypothetical conditions
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- Other VERY helpful information (if you have it)**
- Draft conservation easement
 - Title report
 - Survey
 - Wetlands mapping
 - Percolation testing
 - Subdivision plan
 - Permits, approvals, entitlements (zoning, planning, DEM, CRMC)
 - Forest management plans/forest stewardship plans
 - Agricultural management plans
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- Bedtime reading**
- Steve Small's Guide Notes:
<https://www.stevesmall.com/press/>
 - IRS Publication 561:
<https://www.irs.gov/pub/irs-pdf/p561.pdf>
 - IRS Form 8283:
Instructions: <https://www.irs.gov/pub/irs-pdf/i8283.pdf>
Form: <https://www.irs.gov/pub/irs-pdf/f8283.pdf>
 - Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA):
<https://www.justice.gov/file/408306/download>
 - Uniform Standards for Professional Appraisal Practice (USPAP):
<http://uspap.org/index.html#20>
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Questions? E. Jenny K. Flanagan
Contact Jenny! Vice President for Government and Conservation Projects
KEYSTONE CONSULTING GROUP
299 Chestnut Street, North Attleboro, MA 02760
o: 508-699-7777 x 104 | c: 408-573-1367
jflanagan@KeystoneNE.com | www.keystonene.com
