

**Agricultural Conservation Easement Program
Wetland Reserve Easement (ACEP-WRE)**

Specifications and Scope of Work for an Appraisal of Real Property for the ACEP-WRE

A. BACKGROUND INFORMATION

1. The United States of America, acting through the U.S. Department of Agriculture's Natural Resources Conservation Service (NRCS) is considering purchasing a conservation easement to assist the landowner in protecting, restoring, and enhancing the original hydrology, native vegetation, and natural topography of eligible land, to restore and protect the functions and values of wetlands in the agricultural landscape, help achieve the national goal of no net loss of wetlands, and improve the general environment. These lands may be placed under a conservation easement through ACEP-WRE.
2. All appraisals completed for this program must comply with Uniform Standards of Professional Appraisal Practice (USPAP) and appraisal instructions as issued by NRCS.
3. ACEP-WRE appraisals are market value as is appraisals of the easement area. A conservation easement value is **not** needed for ACEP-WRE.
4. The landowner is not a client or intended user of the ACEP-WRE appraisal.

B. APPRAISER QUALIFICATIONS

1. All real property appraisers performing appraisals under this program must be State-certified general real property appraiser or obtain a temporary practice permit equal to State-certified general real property appraiser in compliance with title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) in the State or States where the subject property is located.
2. Must be in good standing with the licensing authority where the credential was issued.
3. The appraiser must not have received any disciplinary action within the past 5 years.
4. The appraiser must have demonstrated competency in compliance with USPAP in conducting appraisals of rural and agricultural properties of the requested type.
5. Documentation of the experience and education will be included in the appraisal report.

C. PURPOSE OF THE APPRAISAL REPORT

1. The purpose of the appraisal is to provide an opinion of market value, as defined below, of the proposed easement area as of a current date of value.
2. The appraisal must be completed in compliance with USPAP and appraisal instructions issued by NRCS. An appraisal report, as discussed in USPAP Standards Rule 2-2(a), must be provided; restricted appraisal reports are not acceptable. The appraisal report must contain the level of detail, discussion, and support necessary for the client and intended users to comprehensively understand the rationale for the opinions and conclusions, including reconciliation of the data and approaches used in the appraisal. The detail must thoroughly explain and support the property description, highest and best use analysis, market characteristics, adjustment process, and all conclusions so that all review appraisers and NRCS users have an adequate understanding of the statements, opinions, and conclusions offered within the report.
3. The market value definition that will be stated and used in developing and reporting this assignment is as follows:
 - a. "Market value means the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby—

- i. buyer and seller are typically motivated;
- ii. both parties are well informed or well advised and acting in what they consider their own best interests;
- iii. a reasonable time is allowed for exposure to the open market;
- iv. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- v. the price represents the normal considerations for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

4. No other definition of market value is acceptable.

D. INFORMATION PROVIDED BY USDA/NRCS TO THE APPRAISER

1. Aerial photograph of the subject property with the location of the proposed easement area identified, access to the easement area identified, easement boundary identified, and an estimate of the acres in the proposed easement identified.
2. Legal description of subject property.
3. Preliminary legal description of the proposed easement area (survey to be completed later).
Example: On attached aerial photograph, approximately 10.5 (outlined in dark ink) acres located in the NW 1/4, NW 1/4 of Section 10 T55N R20W of 5th PM.
4. Aerial photograph indicating the location and acreage of any conservation agreement, contract, or easement of any type that is associated with any part of the subject property.
5. Copy of the completed Form CCC-505, “FSA Voluntary Permanent Direct and Counter Cyclical Program (DCP) Base Acres Reduction,” executed by the landowner for crop base/allotments located on the proposed easement area. This form will not be processed by FSA until the easement is closed. The appraiser will verify the amount of crop base to be retired or moved on the proposed easement area and if any remaining crop base exists on the easement area. Documentation of production data will be provided to NRCS by landowner. Note: Any crop base or allotment acquired by NRCS must be retired from Federal Government programs.
6. If irrigation rights are included in the easement area, documentation provided by NRCS will identify the volume of irrigation water rights to be retained for the subject property as necessary to ensure the function of the wetland operation and other wetland conservation values. This volume will also be documented in the “Water Rights and Water Uses” Exhibit D attached to the conservation deed.
7. Copy of Title 440, Conservation Programs Manual (CPM), Part 527, Subpart E, “Appraisal.”
8. Recorded landowner’s name, address, and telephone number.
9. Written permission from the landowner or an authorized representative authorizing the assigned appraiser to enter the property for appraisal purposes.

10. Specific details of any existing easements, reservations, or other restriction currently encumbering the subject property as provided by the landowner.
11. Current information as to the status of title of ownership, such as copies of deeds.
12. When available, a completed "Preliminary Certificate of Inspection and Possession," the "Hazardous Materials Field Inspection Checklist," and any available information pertaining to the probability of existence of hazardous substances that might be found on the property to be appraised.
13. Documentation of water rights owned, including the name of any irrigation company, number of shares or amount of ownership, and documentation concerning irrigation wells on the property to be appraised as provided by the landowner.
14. A copy of the recorded written access to the easement area, if available.
15. Copy of preliminary title commitment covering the proposed easement area, if available.

E. BACKGROUND FOR THE APPRAISAL REPORT

1. Prepare an appraisal report of an as is opinion of value based on the above market value definition of the proposed easement area.
2. Subject property will be only the proposed easement area as provided by NRCS.
3. If irrigation rights are included in the easement area, documentation provided by NRCS will identify the volume of irrigation water rights to be retained for the subject property as necessary to ensure the function of the wetland operation and other wetland conservation values as stated in E 7 below. This volume will also be documented in the "Water Rights and Water Uses, Exhibit D" attached to the conservation deed. Irrigation water rights that are owned and used on the proposed subject property will be valued in the appraisal.
4. The appraiser will document whether or not any portion of these irrigation water rights can be removed from the subject property. If the irrigation water rights can be removed from the property, the appraiser will provide a value opinion of the value of each irrigation water right. The appraiser will consider only the irrigation water rights required to be retained on the subject property as identified by NRCS.
5. Client is USDA/NRCS. (Landowners must not be the clients)
6. Intended user is USDA/NRCS. (Landowners are not an intended users)
7. Intended use will be for USDA/NRCS consideration in determining the price of the conservation easement entering into the ACEP-WRE.
8. Exclusions of approaches to values, as stated in USPAP, must be strongly supported with solid reasoning.
9. Property rights to be appraised will be surface rights, timber, orchards or other permanent plantings, and any irrigation water rights. The irrigation water rights include wells, ditches, reservoirs, ponds, and lakes that provide irrigation on the subject property and are legally

permitted. The value of any marketable standing timber that could be economically harvested will be considered by a timber cruise and included in any valuations. Other permanent plantings that are located on the subject property will be appraised and included in any valuations. Any building improvements and any irrigation equipment not affixed to the land, such as pivot sprinklers, moveable pipe, tow lines, etc., that are located in the proposed easement area will be excluded from the valuation.

F. The Appraisal Report

1. Description of Work Product

- a. The appraisal will meet USPAP requirements and appraisal instructions issued by NRCS. An appraisal report, as discussed in USPAP Standards Rule 2-2(a), must be provided; restricted appraisal reports are not acceptable. The appraisal report must contain the level of detail, discussion, and support necessary for the client and intended users to comprehensively understand the rationale for the opinions and conclusions, including reconciliation of the data and approaches used in the appraisal. The detail must thoroughly explain and support the property description, highest and best use analysis, market characteristics, adjustment process, and all conclusions so that all review appraisers and NRCS users have an adequate understanding of the statements, opinions, and conclusions offered within the report.
- b. The appraisal report may consist of a narrative report or a form report, or a combination may be used. The appraisal report must be in compliance with USPAP, and must use the following appraisal instructions and guidelines as stated in these specifications.
- c. The contract appraiser must personally inspect the subject property and comparable sales.
- d. The appraiser must talk personally to the property owner or the owner's agent or representative and the property owner or the owner's agent or representative must be given an opportunity to accompany the appraiser during their inspection of the subject property. The appraiser must document this discussion and whether or not the landowner accompanied the appraiser during the inspection in the appraisal report.
- e. The Uniform Residential Appraisal Report (URAR) is not acceptable. It may be incorporated into the report to assist in valuing the residence but it must not be used to evaluate the property and the easement affects.
- f. Reports must contain a "Table of Contents" with page numbers and sequentially numbered pages including addenda. Reports may contain handwritten page numbers.
- g. Reports must reference all environmental documents utilized by the appraiser in completing the appraisal. An environmental document is required in the appraisal report as provided by NRCS, refer to (D) (12) above. The appraiser is a key individual in identifying potential environmental problems that may affect the value of the subject property.
- h. The appraiser must contact NRCS to resolve problems, clarify questions, letters of engagement (call orders), or other issues. Issues relating to the appraisal process must be relayed to the NRCS national appraiser for guidance.
- i. The effective date of the appraisal report is the date the property was personally inspected by the appraiser.
- j. The appraiser will prominently state any crop base and allotment history located in the easement that has been included in the value.
- k. The appraisal report must be in typewritten or legible ink print form and/or automated or computerized forms.
- l. Only reports completed and submitted on 8½ inch by 11-inch paper or electronic format will be accepted.
- m. The appraisal report must be bound in a durable report cover with appropriate identification.
- n. The appraiser will provide two bound or one electronic copy of the initial final report to

NRCS to obtain a technical review. Once the technical review is completed and the appraisal report accepted, the appraiser must provide three originals and one electronic copy of the appraisal to NRCS. Reference the above instructions, including exhibits, for details on appraisal reports, appraisal forms required, and required methodology and supporting documentation.

2. Required Elements for WRP Appraisals (Recommended Format)

a. Part 1 Introduction

1. Title Page
2. Letter of transmittal
3. Table of contents
4. Appraiser's certification
 - a. Follow USPAP guidelines as applicable, but include the following:

"I have made a personal inspection of the appraised property which is the subject of this report and all comparable sales used in developing the opinion of value. The date(s) of inspection was _____, and the method of inspection was _____." (If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property and sales. The contract appraiser must inspect the appraised property.)

In my opinion, as of _____ (date), the market value of the proposed easement parcel is \$_____.

By: _____ (signature) _____ Date: _____

Print Name _____

Printed Name and Professional Accreditation

State Certification # _____

5. Summary of salient facts
6. Photographs of subject property. Provide original color photographs or high quality color copies of photographs of the appraised property. Photographs may be a separate exhibit in the addenda or included with the narrative description of the appraised property and comparable sales. Show the following information with each photograph:
 - a. Identify the photographed scene. Indicate direction of view, vantage point, and other pertinent information.
 - b. An aerial photo should be used to show the location of the photos.
 - c. The name of the photographer
 - d. The date the photograph was taken.
7. Statement of assumptions and limiting conditions.
 - a. All appraisal reports submitted to the NRCS for review become the property of the United States and may be used for any legal and proper purpose. Therefore, a condition that limits distribution of the report is not permitted.
 - b. Include a statement similar to the following in this section:

“I recognize that appraisal reports submitted to the NRCS for review may be used by NRCS for any legal and proper purpose.”

- c. If the appraisal has been made subject to any encumbrances against the property, such as easements, that must be stated. It is unacceptable to state that the property has been appraised as if free and clear of all encumbrances, except as stated in the body of the report; the encumbrances must be identified in this section of the report. Refer to (D)(15) above.
 - d. The property must have legal access to the easement area that provides NRCS and its agents legal access to restore, maintain, and monitor the purpose and function for which the easement was placed. The legal access route must be shown on a map of the subject property. If the property does not have sufficient legal access to the easement area, the appraisal should not proceed.
 - e. The use of an uninstructed assumption or hypothetical condition that results in other than “as is” market value will invalidate the appraisal. Include only factors relating to the appraisal problem. Assumptions and limiting conditions that are speculative in nature are inappropriate. Do not include limiting conditions that significantly restrict the application of the appraisal.
 - f. A contract appraiser must not make an assumption or accept an instruction that is unreasonable or misleading. Client instructions must have a sound foundation, be in writing, and be included in the appraisal report.
8. Scope of the appraisal
- a. This section must fully describe the extent of investigation and analysis. The scope of work should be consistent with the intended use of the appraisal.
 - b. Summarize the appraisal problem
9. Purpose of the appraisal must be as stated in C above.

b. Part 2 Factual Data

- 1. Legal description
- 2. Area, city and neighborhood data
- 3. Property data
 - a. Site
 - b. Dwellings and associated improvements
 - c. Fixtures, livestock, and forage production structures and facilities
 - d. Use history
 - e. Sales history
 - Include a 3-year record of all sales of the appraised property and, if the information is available, offers to buy or sell.
 - f. Rental history
 - A 3-year rental history is required. An unsupported statement that the rent does not represent market or economic rent is unacceptable.
 - g. Assessed value and annual tax load
 - h. Zoning and other land use regulations
 - The contract appraiser must identify, in addition to zoning, all other land-use and environmental regulations, outstanding rights, and reservations that have an impact on the highest and best use and value of the property.
 - i. Appraised property map or plat. Show the dimensions and topography of the appraised property in detail on a large-scale topographic map, at least 2 inches to the mile. The map may be placed here or in the addenda.
 - j. Aerial photograph of the subject property with the location of the proposed easement area identified, access to the easement area identified, easement

boundary identified, and an estimate of the acres in the proposed easement identified

c. Part 3 Data Analysis and Conclusions

1. Analyses of highest and best use

- a. For this appraisal, highest and best use is defined as “The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.” The contract appraiser may also refer to definitions as found in “The Dictionary of Real Estate Appraisal.”
- b. The highest and best use conclusion must be clearly supported by market evidence. Sale or exchange to the United States or other public entity is not an acceptable highest and best use. The use for which the Federal Government will put the property after it has been acquired is, as a general rule, an improper highest and best use. A noneconomic highest and best use, such as “conservation,” “natural lands,” “preservation,” or any use that requires the property to be withheld from economic production in perpetuity, is not a valid use upon which to base an estimate of market value.
- c. If the highest and best use is for assemblage, describe and explain the relationship of the appraised property to the property to which it would be joined.
- d. If speculation or investment is the highest and best use of the property, describe and explain its interim and most probable ultimate use.
- e. When there is a claim that the highest and best use of a property is something other than the property’s existing use, the burden of proof is on the contract appraiser.
- f. Market value must not be predicated upon potential uses that are speculative and conjectural.
- g. The contract appraiser’s opinion of a reasonable probability of a zoning change must have a factual foundation. The appraisal report must include a description of the investigation undertaken to determine the probability of rezoning. The investigation must include thorough research of the uses and zoning of properties situated similarly to the subject property within the area covered by the zoning authority. The stated rezoning conclusion must be supported by facts surfaced in the research. A property must not be valued as if it were already rezoned for a different use. The property must be valued only in light of the probability of obtaining a zoning change.

2. Value estimate by the cost approach

- a. Estimate the value of the land as though vacant and available for its highest and best use. Estimating land value by the use of confirmed sales of comparable, or nearly comparable, lands having like optimum uses is the preferred method.
- b. If the cost approach is not used, explain the reasons for not developing.

3. Value estimate by the sales comparison approach

- a. Nearby arm’s length transactions, comparable to the property under appraisal, and reasonably current, are the best evidence of market value. The Federal courts recognize the sales comparison approach as being normally the best evidence of market value.
- b. When supportable by market evidence, the use of quantified adjustments is preferred. Percentage and dollar adjustments may, and often should, be combined. Qualitative adjustments are used when there is inadequate market data to support quantitative adjustments. Factors that cannot be quantified are dealt

with in qualitative analysis. When quantitative and qualitative adjustments are both used in the adjustment process, all quantitative adjustments should be made first.

- c. Provide market evidence and/or supporting narrative for each adjustment used.
 - i. Each quantitative adjustment requires supporting market evidence. Explain how the adjustment was determined and how it is applied to the comparable.
 - ii. Each qualitative adjustment requires significant discussion to explain why it is necessary and explain the reason for the differences.
 - d. Include a sales adjustment chart summarizing the adjustments and showing the final adjusted sale prices and how the sales compare with the subject property.
 - e. The documentation of each comparable sale must include—
 - i. Parties to the transaction.
 - ii. Date of transaction.
 - iii. Confirmation of the transaction.
 - iv. Confirm the transaction with the buyer, seller, broker, or other person having knowledge of the price, terms, and conditions of sale.
 - v. Buyer motivation.
 - vi. Location.
 - vii. Size.
 - viii. Legal description.
 - ix. Property rights conveyed and by what method did title transfer such as warranty deed, purchase contract.
 - x. Consideration.
 - xi. Financing terms.
 - xii. Sale conditions – verify if the sale was an arm’s length or distressed sale.
 - xiii. Improvements.
 - xiv. Physical description – describe topography, vegetative cover, water influence, improvements, irrigation water, soils and other characteristics.
 - xv. Nonrealty items.
 - xvi. Economic characteristics.
 - xvii. Zoning.
 - xviii. Current use.
 - xix. Topographic map.
 - xx. Photographs .
 - 1. Improvements
 - 2. Land/lot
 - f. In order to make meaningful comparisons between the sales and the appraised property, NRCS requires inspection of all sales directly compared with the appraised property. Waiver of the comparable sale inspection requirement must be made in writing by an authorized official in the form of a supplemental appraisal instruction. The requirement for inspection of the appraised property may not be waived.
 - g. If the sales comparison approach is not used, explain the reasons for not developing.
4. Value estimate by the income approach
- a. All data must be market supported.
 - b. If the income approach is not used, explain the reasons for not developing.
5. Correlation and reconciliation of the final estimate
- a. The contract appraiser must avoid making a summation appraisal.

- b. Appraisers are responsible for the final opinion of value even if it relies upon estimates developed by others (such as, timber cruisers, or cost estimators). Value estimates developed by others, if needed, will be the appraiser's responsibility.

d.Part 6 Exhibits and addenda

1. Location map

- a. Maps must clearly identify the property and be of sufficient quality to enable the review appraiser to locate the property on the ground. Maps must be dated, include a legend, scale, and north arrow. The report must contain original maps or vivid color copies.
 - i. Area Map. This is a small-scale map showing the general location of the subject market area.
 - ii. Neighborhood Map. This map shows the appraised property and its immediate neighborhood.
 - iii. Tract Map or Plat. This map is a large-scale (2-inch per mile) United States Geological Survey (USGS) or similar quality map that shows the appraised property and pertinent physical features such as roads, streams, and improvements. If portions of the appraised property are assigned separate contributory values to the whole, these areas must be delineated on this map or a separate map.
 - iv. Photograph Map. This is a map, lot plat or aerial photograph showing the location of the subject pictures

2. Comparable data maps:

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

3. Detail of comparative data:

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

4. Plot plan

5. Title evidence report:

Include a copy of the preliminary title report for the non-Federal land if available.

6. Other pertinent exhibits:

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

- i. A copy of technical reports from specialists. This may include a timber cruise summary signed by a timber cruiser, or a road plan signed by an engineer.
- ii. Property owner permission to appraise.

7. Qualifications of appraiser

- a. The contract appraisers must provide evidence of compliance with the certification requirements of the State or States where the properties are located.
- b. The contract appraisers must provide documentation of compliance with experience requirements.
- c. The contract appraisers must provide documentation of appraisal education.

- d. The contract appraiser must provide their contact information including but not limited to—
 - i. Address.
 - ii. Phone numbers.
 - iii. Email address.
- e. Engagement instructions received from the client.

G. Appraisal Reviews

1. All appraisal reports are subject to a technical appraisal review conducted for compliance with NRCS appraisal instructions and USPAP prior to acceptance by NRCS.
2. NRCS will order the technical appraisal review.
3. Any deficiencies in the appraisal report will be returned to the appraiser for revisions, additional support, or explanation or corrections to the original appraisal report in a supplemental report format as in section H, below.
4. All revisions will be subject to a technical review for compliance with the original and subsequent instructions.
5. Any appraisal report revisions required by the review appraiser must be completed and returned within 14 calendar days after receipt of comments.
6. Supplemental appraisal reports may be submitted by NRCS to the technical reviewer no more than three times. If, after the third submission, the report is still found to be unacceptable, the report will be rejected and/or disapproved. The review appraiser must clearly show why the appraisal report is inadequate.

H. Format for Supplemental Appraisal Reports

1. Supplements or amendments to appraisal reports, such as correcting deficiencies in the appraisal report, revisions, additional support or explanation, changes in acreage, change in value, updating the effective date or title conditions must be referenced for incorporation with the original report in accordance with USPAP and is required in the following format. All items must be addressed.
 - a. Title Page
 - i. Include the same information as on the original appraisal report.
 - ii. Label the report as a “Supplemental Appraisal Report to the Appraisal Report for _____.”
 - b. Summary of Facts Include—
 - i. Owner's name or other identification of the property.
 - ii. Size.
 - iii. Highest and best use.
 - iv. New opinion of value.
 - v. Valuation date based on either of the following:
 - a. Effective date of the original report
 - b. The date of the new inspection for updating the effective date
 - c. Summary of Original Appraisal

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

Explain the reason for the appraisal supplement, such as to update an opinion of value based upon changes in acres do to survey, amend a previous appraisal report, add

additional support or explanation, or other reasons.

e. Revised Opinion of Value

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

f. Certification

i. Follow USPAP guidelines as applicable, but include the following:

“I have made a personal inspection of the appraised property which is the subject of this report and all comparable sales used in developing the opinion of value. The date(s) of inspection was _____, and the method of inspection was _____.” (If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property and sales. The contract appraiser must inspect the appraised property.)

In my opinion, as of ___(date)_____, the market value of the proposed easement parcel is \$_____.

By: _____(signature)_____ Date: _____

Print Name

Printed Name and Professional Accreditation

State Certification #

g. Addenda

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

h. Binding

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

i. Electronic Copy

An electronic copy of the supplemental report must be provided along with the hardcopy.