

Appraisals for Conservation Projects

THEY SHOULDN'T BE A BLACK BOX

Prepared for

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I. Ordering an Appraisal

When sending an RFP make sure you are sending it to a NH Licensed General Real Estate Appraiser. You can check licensing at: <https://nhlicenses.nh.gov/verification/Search.aspx>. Ask for qualifications if you don't already know them. Appraisers that have gone through easement appraisal course work are obviously a plus for an easement appraisal.

Items to provide the appraiser when ordering appraisal (see attached sample letter in *Exhibit A*. Note, this letter does not ask for qualifications and should only be used when you know the appraiser is qualified for the assignment):

- List who is the client (the people/entity paying for the appraisal) and the intended users (usually funders and project partners). Note see Accreditation Manual Requirement 9J (*Exhibit B*) which requires the appraisal be:
 - An appraisal commissioned by the organization
 - An appraisal commissioned by a public agency
 - An appraisal commissioned by a nonprofit partner (if the nonprofit partner has a mission similar to that of the organization and requires its funds to be spent responsibly)
 - An appraisal commissioned jointly by the organization and the landowner
 - A review appraisal of the landowner's appraisal that is commissioned by the organization
 - An appraisal commissioned by the landowner with the land trust listed as an intended user
- Indicate the type of project (fee or easement)
- Indicate the Purpose of appraisal. Why are you requesting the appraisal (e.g., to purchase a conservation easement using funds from federal, state, town and private sources). If you have an idea of what grants you are proposing to use to fund the project you can list them.
- Indicate whether you want the appraisal done to USPAP or Yellow Book.
- Provide Landowner name
- Tax Map and Lot Number
- Property location and general description. Estimated the amount of road frontage, river frontage. Indicate how much of the property is forested versus field and general condition/stocking. Indicate how the property is used. Improvements on the property and if there is an excluded area provide general description (e.g., house and outbuildings)
- Other land owned by the landowner nearby or that is not part of the assignment (Enhancement issue for IRS or Larger Parcel Analysis for Yellowbook)
- Indicate if the appraisal is going to be reviewed by a Review Appraiser (federal or state). You will want to make sure the negotiated contract with the appraiser includes this work and the cost of the appraiser going through the review process.
- Estimated acreage of the property, the area of the conservation easement, and the area of the excluded area (if applicable).
- Indicate the type of Report you are seeking.
 - There used to be 3 types of reports: Self Contained, Summary and Restricted Use.
 - Now USPAP specifies only 2 types: Appraisal Report and Restricted Appraisal Report
- Documents to provide the appraiser:
 - Conservation Easement Projects – provide sample or negotiated CE or CE summary
 - Survey recording reference or a copy
 - Deed recording reference or copy

- For conservation easement projects, a map that shows the Excluded Area. Important to have this pretty well defined at this point since the Excluded Area shape and size can have significant effects on value.
- Map – aerial and topo. Other helpful maps that maybe applicable to the type of appraisal like a soils map, a map showing the wetlands, map of the internal road layout
- Timber cruise (if available)
- Title report (if available)
- Conceptual development analysis – sample RFP letter is included in *Exhibit C*.
 - Help define maximum productivity
 - Generally only used when highest and best use is subdivision and the features of the land or development requirements in the community are such that a professional surveyor/engineer's expertise is needed
 - Sometimes as part of the RFP to appraisers we ask the appraiser to identify if a development analysis is needed for their assignment.

II. Reviewing an Appraisal

I go into reviewing an appraisal with these overall questions: (1) is the appraisal accurate with respect to the facts as we know them? (2) Did the appraiser sufficiently document their process and analysis so anyone reading it can reasonably understand how they arrived at their conclusion? (3) Is the appraisal and its conclusion and analysis reasonable? The appraiser has the license, not me.

Read entire report. Regional, Municipal and Neighborhood Analyses can be very informative. Also used for justification of several adjustments.

Some Particular Areas to Focus on

- Extraordinary assumptions and hypothetical conditions. Jurisdictional exceptions. You should expect the appraiser to have discussed any of these with you prior to their drafting the report.
- Did the appraiser accurately describe the assignment
- Description of the Property/Property Analysis.
 - Do you know about town zoning or regulation requirements the appraiser missed?
 - Did the appraiser accurately describe the topography, wetlands, existing easements/utilities that could affect value?
- Did the appraiser use the appropriate Methodology? Almost always for land projects sales comparison is used. Would a development analysis also have been appropriate as an additional methodology?
- For a conservation easement project did they include the conservation easement and a summary of the easement?
- Highest and Best Use – Does it make sense and was it done for the before and after approach for a conservation easement.
 - Is the appraiser's highest and best use how you would approach the property if you were a buyer of the property interested in acquiring it for its highest and best use?
 - Is it informed by professional consultation (development analysis, timber cruise)?
 - Is it overly optimistic or overly pessimistic?
 - Does the Highest and Best Use comply with zoning/land use regulations?
- Comparable Sales
 - Do they make sense as comparables?

- How old are the comparables? I have a strong preference for within the last year, but this is not always possible
- Do you know any better comps to share? Look at other appraisals you have had done for similar properties. Are there other sales that you know about? Are there sales of conservation eased properties your stewardship staff may know about for the “after value” of conservation easement projects? Has partner organization done work in the town that they could maybe share comps with you?
- Read the comp sheets in addition to the comparable sales table. Anything seem amiss that would make you think this is not a comparable property or that requires additional adjustments by the appraiser?
- Study the adjustments and the comparable sales grid (see Examples in *Exhibit D*).
 - Are they explained sufficiently and are they reasonable?
 - Do you have information that the appraiser may not be aware of either about the subject property or the comparables? For example, was the comp really Arm’s Length or was there extenuating circumstances?
 - Is the appraiser adjusting for the right things? Typical adjustment factors include: time, current use, financing, conditions of sale, location, size, amenities (water frontage, views).
 - But what about road frontage (frontage/acre), particular physical characteristics of property (irregular shape, fields, forest, topography, amount of wetlands and location of the wetlands), structures.
 - My general rule is if the adjustments are getting over 50% then the comp may not really be that comparable
- If a Development Approach was done (See Development Approach grids in *Exhibit E*):
 - Is there a comparable sales analysis of the lots to get a lot value
 - Is the appraiser capturing the all the costs associated with the development and are the costs being incurred at a reasonable schedule (e.g., year 1)?
 - Typical costs you should be looking for are the Current Use tax payments (if the property is in current use), realtor commission, real estate tax, RETT, road costs, fire protection, developer profit, permitting approvals. Has the appraiser talked with outside experts to get these costs?
 - Do the costs seem accurate – survey and engineering can sometimes be low in particular
 - Are costs and revenues being captured in the right years
 - Absorption rate – basing it on development sell outs

In conclusion, rather than coming at the appraiser with a “this is wrong” approach, I frame my comments in the form of questions so the appraiser can explain themselves. Then I can ask them “did you think of this . . .”

III. 8283 Appraisals Review

The following checklist is based upon the Land Trust Accreditation Manual Practice 10B (see *Exhibit F*):

- ☐ The effective date of valuation listed in the appraisal is not more than 60 days prior to the date of the gift and is not after the date of the gift.
- ☐ The appraisal does not indicate that the appraiser’s fee was based on a percentage of the value of the property or property interest.

The appraisal contains:

- ☐ A description of the property (including any extraordinary assumptions made in the appraisal) in sufficient detail to determine that the property or property interest appraised was the property or property interest donated
- ☐ The terms of any agreement or understanding entered into (or expected to be entered into) by or on behalf of the donor that relates to the use, sale or other disposition of the donated property (such as a conservation easement)
- ☐ The qualifications of the appraiser*
- ☐ A statement that the appraisal was prepared for income tax purposes
- ☐ The appraised fair market value of the contribution*
- ☐ The method of valuation used to determine fair market value, such as the comparable sales approach or income approach*
- ☐ The specific basis for the valuation, such as inclusion of comparable sales transactions*
- ☐ For conservation easements, when the organization has information that the donor or family member (as defined by the Treasury Department Regulations) owns contiguous property, confirm that the entire contiguous property has been addressed in the qualified appraisal.*
- ☐ For conservation easements, when the organization has information that the donor or a related person (as defined by the Treasury Department Regulations) owns any property that has increased in value by granting of the conservation easement (known as enhancement), confirm that the non-easement property has been addressed in the qualified appraisal or Form 8283 supplemental statement.*
- ☐ The appraisal is prepared, signed and dated by an appraiser.

Although the Land Trust's Signature on the 8283 does not represent agreement with the claimed value, the Land Trust should use common sense in reviewing the appraisal to avoid an appearance of substantiating overstating donations. Per the guidance in the Summer 2015 issue of LTA's "SavingLAND" article entitled "The Syndication of Conservation Easement Deductions", review the appraisal and indicate "Yes" or "No":

- _____ Is the appraisal generally in line with the expected value.
- _____ Is the appraisal aggressive in its conclusion of value based on the Land Trust's experience of land values in the area and is the value over the top of the range.
- _____ Are the concerns with the appraisal to such a degree that they should be shared with the IRS
- _____ Is the value conclusion of the appraisal egregiously over the top range in light of the Land Trust's Knowledge of local land values and is inflated or even fraudulent. If yes, a written explanation needs to be provided to the landowner as to why SELT will not sign the 8283.

EXHIBIT A
SAMPLE APPRAISAL PROPOSAL REQUEST LETTER

-Request for Appraisal Services-
[Fee or Conservation Easement]
_____ Tract, Address, Town
DATE

SELT invites you to prepare a proposal and contract with a fixed price for the following appraisal assignment:

- An appraisal of a [conservation easement on or fee interest of] an approximately ____ - acres tract [or portion of a tract] located at address in the Town of _____ and owned by _____ and shown on the _____ Town Tax Maps as Map _____ Lot _____. The subject property is [Describe if developed and if so with what, forest land, agricultural land, general features]. [Describe amount of road frontage, any water frontage, whether there is a development plan for the property. Include survey, aerial map, and reference if a conceptual development plan is being done or has been done]. The deed reference for the property is [SCRD or RCRD] Book _____, Page _____.
- If CE acquisition: The conservation easement will be similar in form to the Southeast Land Trust of NH's (SELT) model easement terms (attached), and will allow or prohibit [explain deviations from the model CE].

The proposal should be in the form of a fixed price contract for a [choose: Restricted Appraisal or Appraisal Report] and the deliverable will include ____ copies of the appraisal report and an electronic deliverable of the appraisal report in PDF format. Please provide the date by which the appraisal report will be delivered. **To be considered for this project, please mail or email your proposal and contract to _____project manager name_____ for SELT, by _____.**

The Landowner's contact information is as follows: _____.

The appraisal shall conform to professional appraisal society standards, and Uniform Standards of Professional Appraisal Practice (USPAP). Please write your proposal in the form of a contract with a signature block for your company and a signature block for SELT.

The work requested is work for hire, to be produced as proprietary information for SELT with ____ [List any parties that may rely on the report] _____ as an intended user. The appraiser and its employees shall hold all information, documents, maps, etc., produced as part of this work in strict confidence and such information shall not be released to any third party without the express written consent of SELT.

Please feel free to contact me if you need any further information. Thank you for your attention and confidentiality with respect this matter. I look forward to your response.

Sincerely,

Attach – Aerial Map, Survey (if available), Conceptual development plan (if available), other maps

EXHIBIT B

ACCREDITATION REQUIREMENTS MANUAL 9J

Practice 9J. Purchasing Land

"If the land trust buys land, easements or other real property, it obtains a qualified independent appraisal to justify the purchase price. However, the land trust may choose to obtain a letter of opinion (see definitions) from a qualified real estate professional in the limited circumstances when a property has a very low economic value or a full appraisal is not feasible before a public auction. In limited circumstances where acquiring above the appraised value is warranted, the land trust documents the justification for the purchase price and that there is no private inurement or impermissible private benefit. If negotiating for a purchase below the appraised value, the land trust ensures that its communications with the landowner are honest and forthright."

Key Elements of the Indicator Practice¹

- The organization obtains a qualified independent appraisal in advance of closing on the transaction to justify the purchase price for land, conservation easements, or other real property it buys; in limited circumstances as specified in the practice, it can rely on a letter of opinion from a qualified real estate professional (see below).
- The organization contemporaneously documents justification for any purchase at a price above appraised value and that there was no private inurement or impermissible private benefit (such as with trend data for market appreciation, range of values of similar purchases, market factors not covered in the appraisal, etc.).
- The organization has honest and forthright communications with landowners when purchasing land and conservation easements for a price below appraised value.

Information on Independent Appraisals²

Land Trust Standards and Practices defines a "qualified independent appraisal" as an independent appraisal prepared in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) by a state-licensed or state-certified appraiser who has verifiable conservation easement or conservation real estate experience.

The organization has at least one of the following to document the purchase price of land or conservation easements.

- An appraisal commissioned by the organization
- An appraisal commissioned by a public agency

¹ First-time applicants to demonstrate current practice is compliant. Renewal applicants to demonstrate practice is compliant over entire accredited term.

² First-time applicants and applicants for first renewal to demonstrate current practice is compliant. Second and subsequent renewal applicants to demonstrate practice is compliant over entire accredited term.

- An appraisal commissioned by a nonprofit partner (if the nonprofit partner has a mission similar to that of the organization and requires its funds to be spent responsibly)
- An appraisal commissioned jointly by the organization and the landowner
- A review appraisal of the landowner's appraisal that is commissioned by the organization
- An appraisal commissioned by the landowner with the land trust listed as an intended user

Bargain Sales

The exception to obtaining an independent appraisal for a bargain sale is when the amount paid by the organization is *de minimis*. *De minimis* generally means that there was a very low dollar value paid. The Commission may also consider an exception to the independent appraisal requirement if the applicant paid only a small fraction of the value substantiated in an appraisal commissioned by the landowner, provided that the applicant has clear documentation of how it determined the value it paid and how it determined that the amount paid did not result in private inurement or impermissible private benefit.

Letters of Opinion

As specified in the practice, in the limited circumstances when the economic value of the property is so low as to negate concerns about impermissible private benefit or an appraisal is not feasible before a public auction, the organization may choose to obtain a letter of opinion from a qualified real estate professional. (If the organization demonstrates that it is unable to obtain a letter of opinion before a public auction and demonstrates that the assessed value reflects the current market value of the property [such as evidence that the property was recently assessed, recent comparable sales data, etc.], then the organization may base the purchase price on an analysis of tax-assessment values.) An organization may also rely on a letter of opinion when it purchases land or conservation easements from another non-profit or governmental agency at a price below the tax-assessment value. A letter of opinion is not sufficient in the case of transactions with insiders.

According to the Land Trust Alliance's Standards and Practices Curriculum, a letter of opinion is a written estimation of a property's value, most often prepared by a qualified appraiser and occasionally prepared by a highly experienced real estate professional. (A licensed or certified appraiser may only be able to provide an opinion of value in one of three formats: restricted use appraisal report, summary appraisal report, or a complete appraisal.)

Area-Wide Appraisals for Uniform, Low-Value Parcels

An applicant may use an area-wide report containing all sales of certain types of property within a specific area, compiled by a qualified independent appraiser or other real estate professional, when the applicant purchases land or conservation easements

in an area where the parcels are generally uniform in their size and/or characteristics and the properties have a low economic value.

Residential Appraisals for Fee Properties

An applicant may use a residential appraisal report to support the purchase price for a fee property when the property is similar to other residential properties or house lots in the area and the residential appraisal report meets USPAP standards (as attested to by the appraiser in the report). This applies to fee properties, not conservation easements.

Use of Staff or Board Member Appraisers

If a property or conservation easement is purchased, it is acceptable to use staff or board members who are certified appraisers that are considered to be independent under USPAP.

Unacceptable Documentation

The following are generally not acceptable documentation of an independent appraisal. In most cases, the documentation listed below would require a review appraisal commissioned by the organization to be acceptable.

- Relying on the landowner's appraisal or a price set by the landowner
- Relying on an appraisal of an adjacent property
- Basing value on tax assessments (unless the organization can demonstrate, as noted above, that a letter of opinion is not feasible before a public auction and that the tax assessments reflect the current market value of the property)
- Basing value on summaries of comparable sales or experience with similar sales compiled by staff, volunteers or other individuals who are not qualified appraisers
- Relying on a public agency estimate of value that was not derived from an appraisal

Land Trust Alliance and Other Related Resources

- [Practice 9J](#)
- Standards and Practices Curriculum course, "[Acquiring Land and Conservation Easements](#)" (chapter 4)

EXHIBIT C
SAMPLE DEVELOPMENT ANALYSIS REQUEST LETTER

Date

Address

Dear _____:

The Southeast Land Trust of New Hampshire requests your firm to submit a proposal and fixed price contract for the following services.

Preparation of conceptual development plan(s) for the _____ - acre _____ property located in the Town of _____ and shown on Tax Map _____, Lot _____ (see enclosed map). The conceptual development plan is being prepared for appraisal purposes and the appraiser working on this project is _____. There is an existing survey on record for the property and is recorded as Plan _____ at the RCRD.

The selected contractor shall prepare at least _____ conceptual development plans for the property.

The conceptual development plan(s) will be prepared:

- using the best readily available boundary information[and proposed conservation easement boundary (provided by the land trust),] (e.g., tax map, plan of record, unrecorded plan, etc).
- using the best readily available wetlands and soils information that has been at least visually checked through a site visit by the contractor and review of aerial photography, but not necessarily by a soil scientist or wetland scientist.
- in compliance with State laws and regulations and the Town of _____ zoning and subdivision provisions, including overlays (aquifer, wetland, steep slopes, etc). The contractor may design the conceptual development plan relying on [Cluster, Open Space, etc. zoning provisions and] waivers that have been approved by SELTNH in advance. In addition, any wetland crossings/buffer encroachments must be approved in advance by SELTNH.
- to maximize return for a potential developer (the “highest & best use”), which does not necessarily maximize the number of lots. The selected contractor shall confer with the appraiser for guidance as to the most profitable options the contractor is considering.
- using the contractor’s knowledge of what has been approved by the Planning Board.
- with logical phasing (if necessary) for the subdivision.
- with any additional information the selected contractor believes will be helpful in the appraisal of the property.

The contractor will make at least one site visit to the Property to field check site suitability (e.g., wetlands, topography, ledge, etc).

The draft plan(s) will be provided in PDF format for SELTNH and the Appraiser to review and provide feedback to the contractor on changes.

The draft and final conceptual plan(s) will be provided in PDF format and will show:

- Approximate property boundaries and tax map references.

- Approximate wetland boundaries, streams, ponds, and rivers.
- Setback boundaries for septic, structures, wetlands buffer, etc.
- Any readily known encumbrances (e.g., utility corridors).
- Existing structures and improvements, that can be discerned from aerial photos and/or the field visit.
- Road frontage calculations for each lot.
- Acreage and square foot calculations for each lot.
- Numbered lots.
- Length and width of any proposed new roads.
- Label all roads and their class.
- Indicate zoning district boundaries and zoning setback/minimum lot size requirements and other pertinent zoning provisions.
- Phase boundaries (if applicable).
- Scale.
- North arrow.

Please provide the date by which the first draft of the conceptual development plan(s) will be delivered.

If you wish to be considered for this project, please submit your proposal by 5:00 pm on _____ by email, US Mail, or other delivery service.

Please write your proposal in the form of a contract with a signature block for your company and for the Southeast Land Trust of New Hampshire [and Town of _____ and [landowner]].

The work requested is work for hire, to be produced as proprietary information for the Southeast Land Trust of New Hampshire [Town of _____ and [landowner]]. The contractor and its employees shall hold all information, documents, maps, etc., produced as part of this work in strict confidence and such information shall not be released to any third party without the express written consent of SELTNH.

Please feel free to contact me if you need any further information. Thank you for your attention and confidentiality with respect this matter. We look forward to your response.

Sincerely,

EXHIBIT D
SAMPLE COMPARABLE SALES GRID

Comparison	Subject	Land Sale #1	Land Sale #2	Land Sale #3	Land Sale #4	Land Sale #5
Location	Wednesday Hill Rd	Marshall Rd	Smoke St	Edgewood Ext	Bunker Hill Rd	Huckins Rd
Town	Durham	Kingston	Barrington	Durham	Auburn	Madbury
Sales Price		\$350,000	\$325,000	\$143,500	\$350,000	\$294,000
Sales Price / Acre		\$12,069	\$6,778	\$10,250	\$7,516	\$10,893
Date of Appraisal/Sale	5/11/2015	3/25/2014	2/25/2015	6/8/2012	3/27/2013	7/8/2014
Land (Acre)	43.40	29.00	47.95	14.00	46.57	26.99
Factors Affecting Sale						
Comparison	Subject	Land Sale #1	Land Sale #2	Land Sale #3	Land Sale #4	Land Sale #5
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment		0%	0%	0%	0%	0%
Adjusted Price		\$12,069	\$6,778	\$10,250	\$7,516	\$10,893
Financing	Normal	Normal	Normal	Normal	Normal	Normal
Adjustment		0%	0%	0%	0%	0%
Adjusted Price		\$12,069	\$6,778	\$10,250	\$7,516	\$10,893
Conditions of Sale	Normal	Normal	Normal	Normal	Normal	Contingent Approvals
Adjustment		0%	0%	0%	0%	-5%
Adjusted Price		\$12,069	\$6,778	\$10,250	\$7,516	\$10,348
Assessment Status	In Current Use	In Current Use	In Current Use	Not in Current Use	In Current Use	In Current Use
Adjustment		0%	0%	-10%	0%	0%
Adjusted Price		\$12,069	\$6,778	\$9,225	\$7,516	\$10,348
Time Analysis						
Comparison	Subject	Land Sale #1	Land Sale #2	Land Sale #3	Land Sale #4	Land Sale #5
Date of Sale/Pending Date		3/25/2014	2/25/2015	6/8/2012	3/27/2013	7/8/2014
Date of Appraisal	5/11/2015	5/11/2015	5/11/2015	5/11/2015	5/11/2015	5/11/2015
Total Adjustment		10%	2%	17%	19%	8%
Adjusted Price/Acre		\$13,276	\$6,914	\$10,793	\$8,944	\$11,176
Physical Adjustments						
Comparison	Subject	Land Sale #1	Land Sale #2	Land Sale #3	Land Sale #4	Land Sale #5
Location	Wednesday Hill Rd	Marshall Rd	Smoke St	Edgewood Ext	Bunker Hill Rd	Huckins Rd
Comparison to Subject		Inferior	Superior	Inferior	Similar	Similar
Adjustment Required		20%	40%	10%	0%	0%
Amenities	2.020' on Lamprey River	None	None	None	587' on Callee Pond	None
Comparison to Subject		Inferior	Inferior	Inferior	Similar	Inferior
Adjustment Required		15%	15%	15%	0%	15%
Total Adjustments		35%	55%	25%	0%	15%
Quantitative Adjusted Value Per Acre		\$17,923	\$10,717	\$13,491	\$8,944	\$12,852
Qualitative Physical Adjustments						
Road Frontage	1961	640	2,295	243	250	Class VI
Road Frontage/Acre	45.6	22.1	47.9	17.4	5.4	
Comparison to Subject		Slightly Inferior	Similar	Moderately Inferior	Moderately Inferior	Moderately Inferior
Adjustment Required		Slight Up	None	Moderate Up	Moderate Up	Moderate Up
Physical Characteristics	Irregular shape with a mostly level topography with limited sloping areas. Around 90% of site is well drained. Approx. 1/3 in Aquifer Protection District. Mostly wooded with some overgrown field area. Potential for 4-6	Irregular shape with rolling topography and some open sandy area. Reported around 6-7 acres, mostly to the rear, consists of wetlands. Encumbered with utility easement and ROW. Subsequent to sale approved for 45 over 55 condos.	Irregular shape with around 1/3 of site consisting of wetlands. The site has a rolling to sloping topography. Eventually supported subdivision into 11 road front lots. Requires a cistern.	Irregular shape with rolling topography. Moderately wooded with stony soils. Several wetland areas, particularly across middle of site. Potential for 3 house sites.	Irregular shape with deep, narrow tract. Has a generally level to rolling topography. Incl some field land with majority wooded.	Irregular shape with rolling topography and it includes around 25% to 30% wetlands, most to the rear. Moderately wooded. Approvals for 7 lots at buyers expense.
Comparison to Subject		Significantly Superior	Similar	Moderately Superior	Slightly Inferior	Moderately Superior
Adjustment Required		Very Significant Down	None	Moderate Down	Slight Up	Moderate Down
Site Size (Acre)	43.40	29.00	47.95	14.00	46.57	26.99
Comparison to Subject		Similar	Similar	Smaller	Similar	Smaller
Adjustment Required		0%	None	Moderate Down	None	Slight Down
Adjusted Value/Ac - Quantitative Adjustments		\$17,923	\$10,717	\$13,491	\$8,944	\$12,852
Total Qualitative Adjustments		Significant Down	None	Moderate Down	Significant Up	Slight Down
Reconciled Value per Acre	\$11,000					

EXHIBIT E
SAMPLE DEVELOPMENT ANALYSIS DISCOUNTED CASH FLOW ANALYSIS

Discount Model Assumptions:		
Discount Rate/Year:	8.50%	
Marketing & Brokers Expense	5.00%	
Developer's Profit	15.00%	
Engineering & Approvals/Lot	\$4,000	
Average Lot Value	\$140,000	
Average Current Use Penalty Rate	10%	
Inflation Rate/Year:	0.00%	
Income	Year 1	Year 2
Number of Lot Sales	3	3
Sale of Lots	\$420,000	\$420,000
Total Income From Lot Sales	\$420,000	\$420,000
Expenses		
Engineering & Approvals	\$24,000	\$0
Road Construction	\$0	\$0
Current Use Penalties	\$42,000	\$42,000
Taxes	\$94	\$6,037
Marketing Expenses	\$21,000	\$21,000
Legal & Closing Costs	\$6,150	\$6,150
Total Expenses	\$93,244	\$75,187
Net Income Before Developer's Profit	\$326,756	\$344,813
Less Developer's Profit	\$63,000	\$63,000
Net Income	\$263,756	\$281,813
Discount Factors	0.921659	0.849455
Present Value Income	\$243,093	\$239,388
Indicated Value	\$482,481	
Indicated Value per Lot	\$80,413	
Indicated Value per Acre	\$11,117	

DISCOUNTED CASH FLOW ANALYSIS

Period	10/16-9/17	10/17-9/18	10/18-9/19
Lots Sold	3	8	6
Aggregate Lots Sold	3	11	17
Gross Lot Sales	\$545,000	\$1,245,000	\$ 930,000
Aggregate Gross Sales	\$545,000	\$1,790,000	\$2,720,000
Sales & Holding Costs			
Commissions	\$ 28,000	\$ 62,000	\$ 47,000
Transfer Tax	\$ 4,000	\$ 9,000	\$ 7,000
Real Estate Taxes	\$ 10,000	\$ 46,000	\$ 15,000
LUCT	\$201,000		
Overhead	\$ 5,000	\$ 12,000	\$ 10,000
Total S & H Costs	\$248,000	\$ 129,000	\$ 79,000
Projected Sale Proceeds	\$297,000	\$1,116,000	\$ 851,000
Development Costs			
Approvals	\$102,000		
Roads & Utilities	\$605,000		
Fire Protection	\$ 80,000		
Entrepreneurial Profit	\$ 82,000	\$ 187,000	\$ 140,000
Total Development Costs	\$869,000	\$ 187,000	\$ 140,000
Projected Net Proceeds	(\$572,000)	\$ 929,000	\$ 711,000
NPV Factor (8% WACC)	.9615	.8903	.8244
Net Present Value	(\$549,978)	\$ 827,088	\$ 586,148
Aggregate NPV	\$863,258 (\$50,780/Potential Lot)		

Estimated Market Value via the Income Approach

\$865,000

EXHIBIT F
ACCREDITATION REQUIREMENTS MANUAL 10B

Practice 10B. Appraisals

"The land trust informs potential land or easement donors (preferably in writing) of the following: Internal Revenue Code appraisal requirements for a qualified appraisal prepared by a qualified appraiser for gifts of property valued at more than \$5,000, including information on the timing of the appraisal; that the donor is responsible for any determination of the value of the donation; that the donor should use a qualified appraiser who follows Uniform Standards of Professional Appraisal Practice; that the land trust will request a copy of the completed appraisal; and that the land trust will not knowingly participate in projects where it has significant concerns about the tax deduction."

Key Elements of the Indicator Practice¹

- The organization notifies potential land or easement donors, including those knowingly engaging in a bargain sale transaction, of the items below.
 - That the donor is responsible for determining the value of the donation
 - That the Internal Revenue Code requires a qualified appraisal for gifts of property valued at more than \$5,000
 - That the donor should obtain a qualified appraisal as per the Treasury Department Regulations, including information on the timing of the appraisal (not earlier than 60 days prior to the date of contribution and before the due date for the tax return on which the deduction is first claimed; if the appraisal is after the donation, it must reflect the value of the conservation easement or fee property on the date of the gift)
 - That the donor should use a qualified appraiser who follows USPAP
 - That the organization will request a copy of the appraisal
 - That the organization will not knowingly participate in a project if it has significant concerns about the tax deduction (Only stating that the organization will not sign the Form 8283 if it has concerns about the tax deduction is not sufficient to meet this requirement.)

Additional Elements of Practice Implementation²

- The organization furnishes the required notification to potential donors as early as possible in the negotiations but before the closing of each project so that the donor can make an informed decision.

¹ First-time applicants to demonstrate current practice is compliant. Renewal applicants to demonstrate practice is compliant over entire accredited term.

² First-time applicants and applicants for first renewal to demonstrate current practice is compliant. Second and subsequent renewal applicants to demonstrate practice is compliant over entire accredited term.

- The preferred format is written communication specific to the individual landowner and/or standard written materials that are provided to the donor.
 - In limited circumstances, if the organization has a written policy or checklist that requires verbal rather than written notification and the organization is able to provide evidence (such as internal memoranda documenting a meeting or phone call) that this notification occurred along with a copy of its policy, this combination may be used to provide evidence of donor notification.
- The organization only signs a Form 8283 when it is complete and is an accurate representation of the gift (see below).
- The organization evaluates the Form 8283, the supporting appraisal, and the title investigation to determine whether it has significant concerns about a landowner's tax deduction. [According to the Land Trust Alliance, one or more of the following may trigger the organization to have significant concerns:
 - The appraised value does not appear to be defensible in light of the organization's knowledge of local land values
 - The deduction claimed is significantly in excess of the donor's cost or adjusted basis (if recent)
 - Multiple unrelated parties are owners of the property using a pass-through entity and may be passing through deductions disproportionate to their respective interests in the property
 - The land has been recently acquired by a pass-through entity
 - Donors are being advised or managed by a "promoter" (A "promoter" is a person or entity that is being paid to help facilitate the proposed contribution and/or is being paid to otherwise promote, organize or secure the transaction (other than the entity's formal legal counsel.))
- The organization checks the appraisal supporting the Form 8283 to see that it meets basic Treasury Department Regulation requirements for a qualified appraisal (see below).
- The organization documents that it takes appropriate action to resolve any concerns it has with the landowner's tax deduction or the appraisal supporting the Form 8283. (If the organization has never experienced this situation, it is prepared for how it would respond.) [According to the Land Trust Alliance, the appropriate action can include one or more of the following:
 - Sharing the concerns regarding the appraisal in writing with the landowner
 - Seeking additional substantiation of value
 - Seeking expert legal and tax counsel and relying on the counsel's advice
 - Withdrawing from the transaction prior to closing
 - Refusing to sign the Form 8283 if the organization believes it has not received the gift described on the Form or if the Form or appraisal appear to support an abusive or fraudulent tax deduction]

Information on Complete and Accurate Forms 8283 and Supporting Appraisals

As part of practice 10B, the Commission uses the checklists below to evaluate whether an organization is completing its due diligence regarding not knowingly participating in a transaction where it has concerns about the tax deduction by confirming that a) the Form 8283 is complete and is an accurate representation of the gift and b) the appraisal supporting the Form 8283 meets basic Treasury Department Regulation requirements for a qualified appraisal. Organizations should be aware that reliance on these checklists for purposes of accreditation does not ensure a landowner's compliance with the Internal Revenue Service requirements.

In evaluating the Form 8283 for purposes of accreditation, the Commission expects the following:

- The Form 8283 includes the name(s) of the landowner(s).
- The correct gift type is checked (in other words, "Qualified Conservation Contribution" for conservation easements or "Other Real Estate" for fee lands).
- There is either a sufficient gift description to confirm what was donated or a supplemental statement that does so.
- The fair market value stated on the Form 8283 corresponds to the appraised value.
- The Form 8283 includes any bargain sale payments made to the landowner. (If the organization paid for the supporting appraisal or provided other payments, the payment is reflected on the Form 8283 or other tax forms.)
- The Form 8283 includes the signature(s) of the appraiser(s).
- The date of the gift is accurate. (For conservation easements, the date of donation is the date of recording. For fee properties, the date of donation is the date of delivery under state law.)
- The unrelated use box is checked "no." If checked "yes," the organization notifies the landowner that this may impact the deduction.
- The organization signs the Form 8283 after the appraiser.

In evaluating the landowner's appraisal for purposes of accreditation (when the appraisal is received by the organization), the Commission expects the following. Note that for the elements marked with an asterisk (*) below, the Commission only expects that the organization will confirm that the elements are present; it does not expect that the organization will assess whether the data presented in the appraisal are accurate and/or valid.

- The effective date of valuation listed in the appraisal is not more than 60 days prior to the date of the gift and is not after the date of the gift.
- The appraisal does not indicate that the appraiser's fee was based on a percentage of the value of the property or property interest.
- The appraisal contains:
 - A description of the property (including any extraordinary assumptions made in the appraisal) in sufficient detail to determine that the property or property interest appraised was the property or property interest donated

- The terms of any agreement or understanding entered into (or expected to be entered into) by or on behalf of the donor that relates to the use, sale or other disposition of the donated property (such as a conservation easement)
- The qualifications of the appraiser*
- A statement that the appraisal was prepared for income tax purposes
- The appraised fair market value of the contribution (This does not mean that the organization needs to determine or concur with the value of the donation or to obtain a formal review of the appraisal. However, it does require the organization to use its general knowledge of local land values to make a general assessment about whether the appraised value is credible.)
- The method of valuation used to determine fair market value, such as the comparable sales approach or income approach*
- The specific basis for the valuation, such as inclusion of comparable sales transactions*
- For conservation easements, when the organization has information that the donor or family member (as defined by the Treasury Department Regulations) owns contiguous property, the Commission expects that an organization will confirm that the entire contiguous property has been addressed in the qualified appraisal.*
- For conservation easements, when the organization has information that the donor or a related person (as defined by the Treasury Department Regulations) owns any property that has increased in value by granting of the conservation easement (known as enhancement), the Commission expects that an organization will confirm that the non-easement property has been addressed in the qualified appraisal or Form 8283 supplemental statement.*
- The appraisal is prepared, signed and dated by an appraiser.

Land Trust Alliance and Other Resources

- [Practice 10B](#)
- Standards and Practices Curriculum course, "[Tax Benefits and Appraisals of Conservation Projects](#)" (chapter 3)
- Practical Pointers: [Form 8283](#)
- Practical Pointers: [Qualified Appraisal Checklist](#)
- Internal Revenue Service: [Conservation Easement Audit Techniques Guide](#)
- [Form 8283](#)
- Form 8283 [Instructions](#)
- Land Trust Alliance Webinar: [Advanced Appraisal Issues](#)
- [Land Trust Alliance Advisory on Tax Shelters](#)