SUBJECT:  BRC Acquisition Policy: Requirements for Property Appraisals

EFFECTIVE DATE:  10/5/09

REVISED DATE:  12/27/10, 01/03/12, 1/6/12, 12/28/12, 7/1/14, 10/27/16, 8/22/17, 12/5/18, 7/24/19

BACKGROUND: The following provides guidance on requirements for real estate/property appraisals.

POLICY:

Eligible land value will be determined by DCNR on the basis of appraisal report(s) prepared by state certified general real estate appraisers. Appraisals must be prepared in accordance with current professional standards and practices, referred to as Uniform Standards of Professional Appraisal Practice or Uniform Appraisal Standards for Federal Land Acquisitions, whichever is required based on the funding source. Appraisals need to be ordered by and prepared for the grant applicant. Summary appraisals will not be accepted.

DCNR will reimburse up to 50% of the appraised market value for a property or easement, or the agreed upon purchase price based on a signed sales agreement, whichever is less. DCNR may choose to provide partial funding for a land acquisition project based on limited rights or partial public access to a property. In addition, if the final surveyed acreage is less than the acreage appraised DCNR will use the per acre value to determine the amount eligible for reimbursement. DCNR’s funding contribution for conservation easements is based on 50% of the value of the designated highest protection area. Easements must follow the PALTA easement model.

If land will be purchased by a grant applicant at a price that is less than the appraised value of the land (for example, in a bargain sale), the difference between the appraised value and the purchase price may be considered a donation to the applicant/grantee. This land value donation may be used by the applicant/grantee as a one-time non-cash match. Any donated value approved can only be applied to that grant; excess value cannot be carried over to another project. All land donated as match for DCNR funding must meet all other grant requirements. Applicants/grantees should not take title to the land until a grant is awarded or a waiver for retroactivity is secured. The non-cash value of the land can only be used as match if the grantee accepts title to the property within the grant agreement period. In either case, grants that include donated land value must be supported with a letter from the landowner.
agreeing to the donated value or other appropriate documentation, for example, IRS Form 8283, that demonstrates the value and the donation.

Appraisal Requirements:

Appraisal with the Grant Application:
All acquisition projects funded by the Bureau of Recreation and Conservation are required to submit one appraisal with the grant application following the Appraisal Guidelines below.

Note: DCNR will reimburse up to 50% of the appraised market value of the land. If the final surveyed acreage is less than the acreage appraised DCNR will use the per acre value to determine the amount eligible for reimbursement.

Technical Review of Submitted Appraisal:
If a grant is awarded a technical review of the appraisal submitted with the application will be required. Note: DCNR will reimburse up to 50% of the appraised market value or the agreed upon purchase price based on a signed sales agreement, whichever is less.

The technical review report should be provided to the original appraiser. If the technical review discovered errors, both appraisers should work together, giving the original appraiser the opportunity to correct the errors. In this case, a second appraisal may not be required.

A Second Appraisal may be required if:

- The purchase price is greater than the appraised land value.
- A “summary appraisal”, “restricted appraisal”, or “self-contained” appraisal is submitted.
- The technical review determines significant errors in the first appraisal that are unable to be remedied.
- Organizations providing matching funds require a second appraisal.
- Additional information is learned about the property after the first appraisal was conducted that may change the appraised market value. For example, additional or severed rights discovered, a significant change in acreage, environmental hazards are discovered, or a drastic change in market conditions arises.
- The first appraisal does not meet DCNR’s Appraisal Guidelines below.

Note: If DCNR requires a second appraisal due to the ineligibility of the original appraisal a technical review of the second appraisal may be required.
Appraisal Guidelines:

- Conform to the most recently published version of the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Standards Board of the Appraisal Foundation.
- Appraisal must be current - generally speaking, no more than one year old.
- Appraisal must be ordered by and prepared for the applicant.
- DCNR must be listed in the appraisal report as an intended user.
- Appraisal must be completed by a State Certified General Real Estate Appraiser. Appraisals prepared by Certified Residential Appraisers or Broker Appraisers will not be accepted by the Bureau.
- Land values and building values must be separate within the appraisal report for fee acquisitions only.
- Appraisals for conservation easements must include “before and after” easement values.
- Appraisals need to clearly indicate the spectrum of interests/rights being appraised. The inclusion or exclusion of rights appraised including but not limited to surface, mineral (coal and hard mineral), oil, and gas, wind, timber, etc. needs to be clearly disclosed. To ensure that the appraisal reflects the value of the rights being acquired a title search should be done prior to or as part of the appraisal process.
  - Note: when including the value of specific rights within an appraisal (for example, timber or mineral rights) show as a percentage of the overall land value, not as a separate valuation. In other words, the property must be valued as a whole, with due consideration of all of the components that make up its value. Each separate right is considered only in how it enhances or diminishes the value of the whole, to avoid so-called cumulative or summation appraisals. (Refer to the Unit Rule within the USPAP Standards)
- Grantees receiving federal funding for a grant project, i.e. Land and Water Conservation Fund or Highlands Act Fund, must have appraisals completed consistent with:
  - The Uniform Act’s implementing regulations;
  - The current Uniform Appraisal Standards for Federal Land Acquisitions; and
  - The current Uniform Standards for Professional Appraisal Practices published by the Appraisal Foundation.

- The review of an appraisal must be completed by a qualified reviewing appraiser who is employed by a different appraisal firm than that of the appraiser whose appraisal is being reviewed.

- The appraisal review must be made and the review report prepared in conformity with the Appraisal Foundation’s Uniform Standards of Professional Appraisal Practice (USPAP) and the DCNR Appraisal Guidelines above.

- Technical reviews may be conducted as either desk reviews or field reviews. For purposes of the DCNR grant a desk review will be accepted.

- Generally, a technical review completed for purposes of the DCNR grant will not require an opinion of value.

- In conducting an appraisal review the reviewer must:
  - Identify the intended users of the reviewer’s opinions and conclusions, and the purpose of the assignment.
  - Identify the appraisal report under review, the date of the review, the property and ownership interest appraised in the report under review, the date of the report under review and the effective date of the value estimates(s) reported, and the names of the appraisers that completed the report under review.
  - Identify the scope of work performed in the review.
  - Develop an opinion as to the completeness of the appraisal report under review within the scope of work applicable to the appraisal assignment.
  - Develop an opinion as to the apparent adequacy and relevance of the data and propriety of any adjustments to the data.
  - Develop an opinion as to the appropriateness of the appraisal methods and techniques used and develop the reasons for any disagreements.
  - Develop an opinion as to whether the analyses, opinions and conclusions in the appraisal report under review are appropriate and reasonable, and develop the reasons for any disagreement.
  - Prepare an appraisal review report in compliance with agency policies, rules, and regulations, and in accordance with USPAP Standards.
  - Provide a signed statement that certifies, to the best of his or her knowledge and belief, the statements of fact contained in the review report are true and correct; limited only by the assumptions and limiting conditions stated in this review report, and are the reviewer’s personal, unbiased professional analyses, opinions and conclusions; in addition to the other requirements as set forth in Section C-8 of the Standards for Review of Appraisals.

Minimum Appraisal Standards are provided at the following attachments and should be provided to the appraiser preparing your report(s):

Attachment A – Fee Acquisition;
Attachment B – Conservation Easement Acquisition;
This policy remains in effect until revised or rescinded.
ATTACHMENT A
FEE ACQUISITION

The following is intended to assist the appraiser in providing the client with an appraisal report which complies with the Uniform Standards of Professional Appraisal Practice and meets DCNR/Bureau of Recreation & Conservation grant program guidelines. It is important that an appraisal communicate the reasoning, logic and analysis used to formulate an estimate of market value. While the methodology and technique employed in an appraisal are at the discretion of the appraiser, the report must demonstrate to the reader the reasonableness of the values reported.

Suggested USPAP Comprehensive Format

Appraisal reports are expected to include a sufficient depth of analysis, commensurate with the complexity of the appraisal assignment, to assist the intended users in understanding the rationale of the market value conclusions.

Introduction

A. Title Page
   Include the name and address of the appraisal firm, the name and address of the property appraised, the name and address of the organization requesting the report, the date of report, and the effective date of the valuation

B. Transmittal Letter
   The contents of the transmittal letter should include:
   1. Date of the report;
   2. Identification of the property type, property name if applicable and the property location (street address, municipality, county, state);
   3. Identification of the interest or property rights being appraised;
   4. The estimated value(s) and effective date(s) of value.
   5. Extraordinary assumptions and hypothetical conditions affecting the assignment results must be clearly and conspicuously stated. State that their use may have affected the assignment results;

C. Table of Contents
   Address all major headings in this outline and reference with page number

D. Appraiser’s Certification
   The appraiser must include a signed certification which is similar in content found in (USPAP 2-3).
   NOTE: The appraiser must disclose any services performed relating to the subject property within the prior three years.
E. **Summary of Salient Facts and Conclusions**
   Report the major facts and conclusions that lead to the final opinion of value. The following items shall be organized in a summary format:
   1. Owner of record
   2. Location (Address)
   3. Land Area
   4. Brief description of the improvements
   5. Zoning
   6. Highest and Best Use conclusion "As Vacant" and "As Improved"
   7. Property rights appraised
   8. Indicated value for each approach to value employed
   9. Effective date(s) of value
   10. Date of Inspection

E. **Photographs of Subject Property**
   At minimum, photographs shall include the front elevation of the major improvements and any unusual features, views of abutting properties on either side, and the property directly opposite. Include interior views of unique features. Except for an overall view, photographs may be included with the discussion or description of the photograph’s contents or may be placed in the addenda of the report.

   Each photo shall be numbered and shall identify the property, the date taken, and the name of the person taking the photograph. A “Key Plan” identifying the location from which each photograph was taken and the direction the camera lens was facing shall be shown on an aerial view of the property (may be located in the addenda).

F. **Statement of Assumptions and Limiting Conditions**
   State any assumptions and limiting conditions.

G. **Scope of Work**
   Summarize the scope of work used to develop the appraisal. (Refers to the extent of the process of collecting, confirming, and reporting data)
   
   a. **Purpose and Summary of Appraisal Problem** - Explain the reason for the appraisal and the definition of all value opinions required. Acquaint the reader of the appraisal report with the specific appraisal problems, if any that have been encountered by the appraiser.
   
   b. **Appraiser Competency** – Explain the qualifications, experience and training and disclose if any other appraisers were consulted or helped to develop the appraisal report.
   
   c. **Client and Intended Use** - State the identity of the client and any intended users by name or type and the intended use of the appraisal.
   
   d. **Definition of Value Established** – The definition of Market Value used in this report can be stated as:

   Market value is the amount in cash, or on terms reasonably equivalent to cash, for which 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. (Section 1.2.4. of Uniform Appraisal Standards of Federal Land Acquisitions, 2016)

**e. Property Rights Appraised** - Identify the interest or property rights being appraised. The inclusion or exclusion of rights appraised including but not limited to surface, mineral (coal and hard mineral), oil, and gas, wind, timber, etc. needs to be clearly disclosed.

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**Factual Data**

**H. Legal Description**
Description shall be complete as to properly identify the property appraised. If lengthy, it should be referenced and included in the addenda of the report.

**I. Market Area Analysis**
Consider and describe the relevant physical, economic, social and governmental factors.

**J. Property Data**
Describe all pertinent information including at minimum:

1. Site – Describe the present uses, accessibility and road frontage, land contours, soils, vegetation (including timber and/or permanent plantings), views, area, land shape, utilities, mineral deposits, subsurface rights, water rights associated with property, easements, etc. **Note: if a title report is available, analyze and incorporate it into the report. Include a copy of the title report in the addenda.**
2. Improvements – Describe all improvements including their dimensions, square footage, actual and effective ages, etc.
3. Fixtures – describe any fixtures included in the value opinion
4. Use History
5. Sales History - Report a three-year sales history for the subject.
6. Rental History
7. Assessed value and Annual Tax Load
8. Zoning and other Land Use Regulations

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**Data Analysis and Conclusions**

**N. Highest and Best Use Analysis**
Analyze the Highest and Best Use of the subject "As If Vacant" and "As Improved." Fully describe the findings of the Highest and Best Use analysis, as if vacant, and as improved. The four tests, *legally permissible, physically possible, financially feasible and maximally productive uses* should be discussed.
If the Highest and Best Use analysis concludes that a change in use is warranted, provide sufficient information and support for the reader to understand the conclusion.

O. **Land Value Analysis (if applicable)**

The site should be valued "As if Vacant and Available" for its Highest and Best Use.

The sales comparison approach is the preferred method of estimating land value.

A preferred analysis includes the following:

1. An adjustment grid with quantitative adjustments. (Quantitative is preferred; if qualitative adjustments are considered, a comprehensive discussion of factors used in development of adjustment grid must be provided.)
2. A narrative discussion of each adjustment and its *market-based support*.
3. Adequate information concerning each comparable sale used and the comparative analysis to enable the reader of the report to follow the appraiser's logic. Suggested data includes: location (address, township & county) map, photographs, grantor, grantee, date of sale, deed reference, flood plain or wetlands map, present use, utilities, property rights, terms of sale, zoning, a copy of tax map or sketch illustrating the shape of each comparable sale, and verification process used. (Comparable data may be located in the addenda).

P. **Cost Approach (if applicable)**

Describe:

1. The estimation of cost new, *(provide support for estimation)*
2. Support the rational for the estimates of physical deterioration, functional and external obsolescence.

If the cost approach is not developed proper justification must be given.

Q. **Income Approach (if applicable)**

The appraisal report shall fully describe adequate factual data to support each figure and factor used. Arrange in a comprehensive format to show at least:

1. Estimated gross economic, or market, rent or income;
2. Allowance for vacancy and credit losses;
3. An itemized estimate of total expenses;
4. An itemized estimate of the reserves for replacements, if applicable.

Capitalization of net income shall be at the rate prevailing for this type of property and location. The capitalization method and rate or discount should be explained and *supported* by sources of rates and factors. The preferred source of an applicable capitalization rate or discount rate is from actual capitalization rates or discount rates reflected by comparable sales.

If the income approach is not developed proper justification must be given.

R. **Sales Comparison Approach (if applicable)**
In selecting the comparable sales used in valuing a given property, it is fundamental that all sales have the same economic Highest and Best Use as the property under appraisal and the greatest weight be given to the properties most comparable to the subject property.

A preferred analysis includes the following:

1. Adequate information concerning each comparable sale used and the comparative analysis to enable the reader of the report to follow the appraiser’s logic. Recommended data includes location map, photographs and a copy of tax map or sketch illustrating the shape of each comparable sale, and the verification process used. (Comparable data may be located in the addenda).
2. An adjustment grid with quantitative adjustments. (Quantitative is preferred; if qualitative adjustments are considered, a comprehensive discussion of factors used in development of adjustment grid must be provided.)
3. A detailed discussion of each adjustment and its market-based support.

If the sales comparison approach is excluded, proper justification must be given.

5. **Reconciliation and the Final Value Opinion**
   Discuss the relevance, advantages and disadvantages of each approach and the rationale for the exclusion of any approach. The final value conclusion must be stated together with the interest appraised and the effective date of the appraisal.

### Exhibits and Addenda

1. Engagement Letter
2. Qualifications of the Appraiser
3. Copy of the appraiser’s state certification for the state in which the subject property is located.
4. Miscellaneous Documents (As appropriate)
   a. Supporting data, etc.
   b. Zoning codes, etc.
   c. Subject photographs
   d. Legal descriptions
   e. Title Report
   f. Maps (Aerial, Topography, Location, Soils, Etc.)
   g. Comparable Sales
   h. Copy of recorded deed for the current landowner(s) of record (if client already acquired the property then copy of the previous landowner)
   i. Any other pertinent information
ATTACHMENT B

CONSERVATION EASEMENT

The following is intended to assist the appraiser in providing the client with an appraisal report which complies with the Uniform Standards of Professional Appraisal Practice and meets DCNR/Bureau of Recreation & Conservation grant program guidelines. It is important that an appraisal communicate the reasoning, logic and analysis used to formulate an estimate of market value. While the methodology and technique employed in an appraisal are at the discretion of the appraiser, the report must demonstrate to the reader the reasonableness of the values reported.

Suggested USPAP Comprehensive Format

Appraisal reports are expected to include a sufficient depth of analysis, commensurate with the complexity of the appraisal assignment, to assist the intended users in understanding the rationale of the market value conclusions.

Introduction

A. Title Page
   Include the name and address of the property appraised, the name and address of the individual(s) making the report and the effective date of the appraisal

B. Letter of Transmittal
   The contents of the letter of transmittal should include:
   1. Date of the report;
   2. Identification of the property type, property name if applicable and the property location (street address, municipality, county, state);
   3. Identification of the interest or property rights being appraised;
   4. The estimated value(s) and effective date(s) of value.
   5. Extraordinary assumptions and hypothetical conditions affecting the assignment results must be clearly and conspicuously stated. State that their use may have affected the assignment results;

C. Table of Contents
   Address all major headings in this outline and reference with page number

D. Certification
   The appraiser must include a signed certification which is similar in content found in (USPAP 2-3).
   NOTE: The appraiser must disclose any services performed relating to the subject property within the prior three years.
E. **Summary of Salient Facts and Conclusions**

Report the major facts and conclusions that lead to the final opinion of value. The following items shall be organized in a summary format:

1. Owner of record
2. Location (Address)
3. Land Area
4. Brief description of the improvements
5. Zoning
6. Highest and Best Use conclusion "As Vacant" and "As Improved"
7. Property rights appraised
8. Indicated value for each approach to value employed
9. Effective date(s) of value
10. Date of Inspection

F. **Photographs of Subject Property**

At minimum, photographs shall include the front elevation of the major improvements and any unusual features, views of abutting properties on either side, and the property directly opposite. Include interior views of unique features. Except for an overall view, photographs may be included with the discussion or description of the photograph’s contents or may be placed in the addenda of the report.

Each photo shall be numbered and shall identify the property, the date taken, and the name of the person taking the photograph. A “Key Plan” identifying the location from which each photograph was taken and the direction the camera lens was facing shall be shown on an aerial view of the property (may be located in the addenda).

G. **Statement of Assumptions and Limiting Conditions**

State any assumptions and limiting conditions.

H. **Scope of Work**

Summarize the scope of work used to develop the appraisal. (Refers to the extent of the process of collecting, confirming, and reporting data)

I. **Identity of the Purpose, Client and Intended Use**

Explain the reason for the appraisal and the definition of all value opinions required. State the identity of the client and any intended users by name or type and the intended use of the appraisal.

J. **Definition of the Interest or Property Rights Appraised**

Identify the interest or property rights being appraised. The inclusion or exclusion of rights appraised including but not limited to surface, mineral (coal and hard mineral), oil, and gas, wind, timber, etc. needs to be clearly disclosed.
K. **Summary of Appraisal Problem**  
Acquaint the reader of the appraisal report with the specific appraisal problems, if any that have been encountered by the appraiser.

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**Factual Data**

L. **Legal Description**  

Description shall be complete as to properly identify the property appraised. If lengthy, it should be referenced and included in the addenda of the report.

M. **Market Area Analysis**  

Consider and describe the relevant physical, economic, social and governmental factors.

N. **Property Data**  

Describe all pertinent information including at minimum:

1. Site – Describe the present uses, accessibility and road frontage, access, land contours, soils, vegetation (including timber and/or permanent plantings), views, area, land shape, utilities, mineral deposits, subsurface rights, water rights associated with property, easements, environmental, etc. **Note: if a title report is available, analyze and incorporate it into the report. Include a copy of the title report in the addenda.**
2. Improvements – Describe all improvements including their dimensions, square footage, actual and effective ages, etc.
3. Fixtures – describe any fixtures included in the value opinion
4. Use History
5. Sales History - Report a three-year sales history for the subject.
6. Rental History
7. Assessed value and Annual Tax Load
8. Zoning and other Land Use Regulations

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**Before Data Analysis and Conclusions**

O. **Highest and Best Use Analysis**  
Analyze the Highest and Best Use of the subject "As If Vacant" and "As Improved." Fully describe the findings of the Highest and Best Use analysis, as if vacant, and as improved. The four tests, *legally permissible, physically possible, financially feasible and maximally productive uses* should be discussed. If the Highest and Best Use analysis concludes that a change in use is warranted, provide sufficient information and support for the reader to understand the conclusion.
P. **Land Value Analysis (if applicable)**
   The site should be valued "As if Vacant and Available" for its Highest and Best Use.
   The sales comparison approach is the preferred method of estimating land value.
   A preferred analysis includes the following:
   1. An adjustment grid with quantitative adjustments. (Quantitative is preferred; if qualitative adjustments are considered, a comprehensive discussion of factors used in development of adjustment grid must be provided.)
   2. A narrative discussion of each adjustment and its *market-based support*.
   3. Adequate information concerning each comparable sale used and the comparative analysis to enable the reader of the report to follow the appraiser’s logic. Suggested data includes: location map, photographs, a copy of tax map or sketch illustrating the shape of each comparable sale, and verification process used. (Comparable data may be located in the addenda).

Q. **Cost Approach (If applicable)**
   Describe:
   1. The estimation of cost new, *(provide support for estimation)*
   2. Support the rational for the estimates of physical deterioration, functional and external obsolescence.
   If the cost approach is not developed proper justification must be given.

R. **Income Approach (if applicable)**
   The appraisal report shall fully describe adequate factual data to support each figure and factor used. Arrange in a comprehensive format to show at least:
   1. Estimated gross economic, or market, rent or income;
   2. Allowance for vacancy and credit losses;
   3. An itemized estimate of total expenses;
   4. An itemized estimate of the reserves for replacements, if applicable.
   Capitalization of net income shall be at the rate prevailing for this type of property and location. The capitalization method and rate or discount should be explained and *supported* by sources of rates and factors. The preferred source of an applicable capitalization rate or discount rate is from actual capitalization rates or discount rates reflected by comparable sales.
   If the income approach is not developed proper justification must be given.

S. **Sales Comparison Approach (if applicable)**
   In selecting the comparable sales used in valuing a given property, it is fundamental that all sales have the same economic Highest and Best Use as the property under appraisal and the greatest weight be given to the properties most comparable to the subject property.
   A preferred analysis includes the following:
1. Adequate information concerning each comparable sale used and the comparative analysis to enable the reader of the report to follow the appraiser’s logic. Recommended data includes location map, photographs and a copy of tax map or sketch illustrating the shape of each comparable sale, and the verification process used. (Comparable data may be located in the addenda).

2. An adjustment grid with quantitative adjustments. (Quantitative is preferred; if qualitative adjustments are considered, a comprehensive discussion of factors used in development of adjustment grid must be provided.)

3. A detailed discussion of each adjustment and its market-based support. If the sales comparison approach is excluded, proper justification must be given.

T. **Reconciliation and the Final Value Opinion**

Discuss the relevance, advantages and disadvantages of each approach and the rationale for the exclusion of any approach. The final value conclusion must be stated together with the interest appraised and the effective date of the appraisal.

### After Data Analysis and Conclusions

U. **Highest and Best Use Analysis**

Analyze the Highest and Best Use of the subject "As If Vacant" and "As Improved." Fully describe the findings of the Highest and Best Use analysis, as if vacant, and as improved. The four tests, *legally permissible, physically possible, financially feasible and maximally productive uses* should be discussed. If the Highest and Best Use analysis concludes that a change in use is warranted, provide sufficient information and support for the reader to understand the conclusion.

V. **Land Value Analysis (if applicable)**

The site should be valued "As if Vacant and Available" for its Highest and Best Use.

The sales comparison approach is the preferred method of estimating land value.

A preferred analysis includes the following:

1. An adjustment grid with quantitative adjustments. (Quantitative is preferred; if qualitative adjustments are considered, a comprehensive discussion of factors used in development of adjustment grid must be provided.)

2. A narrative discussion of each adjustment and its market-based support.

3. Adequate information concerning each comparable sale used and the comparative analysis to enable the reader of the report to follow the appraiser’s logic. Suggested data includes: location map, photographs, a copy of tax map or sketch illustrating the shape of each comparable sale, and verification process used. (Comparable data may be located in the addenda).
W. **Cost Approach (if applicable)**

Describe:

1. The estimation of cost new, *(provide support for estimation)*
2. Support the rational for the estimates of physical deterioration, functional and external obsolescence.

If the cost approach is not developed proper justification must be given.

X. **Income Approach (if applicable)**

The appraisal report shall fully describe adequate factual data to support each figure and factor used. Arrange in a comprehensive format to show at least:

1. Estimated gross economic, or market, rent or income;
2. Allowance for vacancy and credit losses;
3. An itemized estimate of total expenses;
4. An itemized estimate of the reserves for replacements, if applicable.

Capitalization of net income shall be at the rate prevailing for this type of property and location. The capitalization method and rate or discount should be explained and *supported* by sources of rates and factors. The preferred source of an applicable capitalization rate or discount rate is from actual capitalization rates or discount rates reflected by comparable sales.

If the income approach is not developed proper justification must be given.

Y. **Sales Comparison Approach (if applicable)**

In selecting the comparable sales used in valuing a given property, it is fundamental that all sales have the same economic Highest and Best Use as the property under appraisal and the greatest weight be given to the properties most comparable to the subject property.

A preferred analysis includes the following:

1. Adequate information concerning each comparable sale used and the comparative analysis to enable the reader of the report to follow the appraiser’s logic. Recommended data includes location map, photographs and a copy of tax map or sketch illustrating the shape of each comparable sale, and the verification process used. (Comparable data may be located in the addenda).
2. An adjustment grid with quantitative adjustments. (Quantitative is preferred; if qualitative adjustments are considered, a comprehensive discussion of factors used in development of adjustment grid must be provided.)
3. A detailed discussion of each adjustment and its *market-based support*.

If the sales comparison approach is excluded, proper justification must be given.

Z. **Reconciliation and the Final Value Opinion**

Discuss the relevance, advantages and disadvantages of each approach and the rationale for the exclusion of any approach. The final value conclusion must be stated together with the interest appraised and the effective date of the appraisal.
Acquisition Analysis (Easement Value)

AA. Recapitulation

The appraiser shall show the difference between the value of the whole property and the value of the remainder by deducting the property’s after value from its before value.

Addendum

The contents of the Addendum should include:

1. Engagement Letter
2. Qualifications of the Appraiser
3. Copy of the appraiser’s state certification for the state in which the subject property is located.
4. Miscellaneous Documents (As appropriate)
   a. Supporting data, etc.
   b. Zoning codes, etc.
   c. Subject photographs
   d. Legal descriptions
   e. Title Reports
   f. Maps (Aerial, Topography, Location, Soils, Etc.)
   g. Comparable Sales
   h. Copy of the recorded deed of the current landowner(s) of record.
   i. Any other pertinent information