

***Supplemental Appraisal Standards
for the
Board of Trustees***

**Division of State Lands, Bureau of Appraisal
Florida Department of Environmental Protection
December 2012**

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www.dep.state.fl.us
www.dep.state.fl.us/lands/appraisal.htm



Department of Environmental Protection

Supplemental Appraisal Standards for the Board of Trustees

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SUPPLEMENTAL APPRAISAL STANDARDS FOR THE BOARD OF TRUSTEES

PURPOSE The purpose of these *Supplemental Appraisal Standards for the Board of Trustees* (Supplemental Standards) is to supplement the use of the Uniform Standards of Professional Appraisal Practice (USPAP) and to set forth general principles applicable to the valuation of property for the Board of Trustees of the Internal Improvement Trust Fund (Board of Trustees).

SCOPE These standards cover the following areas:

- A. General format for self-contained appraisal reports and discussion of considerations within the format. Other report formats, including summary and restricted use formats, may be requested for specific assignments. If other formats are requested, the appraiser will be given specific directions.

- B. Although these standards are developed to encourage uniform approaches to appraisal problems, to provide a guide for adequate supporting data, and other factual information used to develop opinions of value, they are not intended to limit the scope of appraisal investigations or bias the independent judgment or value opinions contained in reports submitted to the client and intended users.

POLICY It is the policy of the Board of Trustees that the public trust of the citizens of Florida be upheld and protected. Since public lands or public funds are involved, arriving at prudent conclusions is incumbent upon all who are employed to represent the public interest and the citizens generally. In so doing, care must be taken that the assignment results are fair, unbiased and credible.

INTRODUCTION

Unless otherwise indicated by the context, the term Department as used in these standards refers to the Florida Department of Environmental Protection (DEP). Likewise, Division refers to the Division of State Lands

(DSL) within the Department and Bureau means the Bureau of Appraisal (BA) within the Division.

The Supplemental Standards are created to implement statutory requirements, to outline additional requirements for appraisal services and to outline recommended appraisal formats.

Appraisal services are required to conform to the Uniform Standards of Professional Appraisal Practice (USPAP) and these Supplemental Standards, unless specifically directed otherwise. Items in the Supplemental Standards which are requirements will be stated as such. Compliance with all other items in the Supplemental Standards is not mandatory. However, an appraiser's quality point rating with the Bureau of Appraisal may be lowered if a standard is not followed.

It is recognized that appraising is a professional practice that involves judgment. To this extent, nothing in USPAP or these supplemental appraisal standards is intended to substitute for reasonable judgment with respect to the appraisal and the appraisal review process. If a standard, rule or statute allows for waiver of it, appraisers and review appraisers will substitute reasonably prudent procedures with adequate written reasoning and support.

Unless noted otherwise, the standards, discussions and requirements that follow will be applicable to both acquisition and management functions of appraisal services for the Board of Trustees. Under certain circumstances federal appraisal standards are to be followed. The appraiser will be given a specific direction when to use federal standards.

STATE LAW

Chapters 253 and 259, F.S., set forth the statutory authority and describe the duties and responsibilities pertaining to the acquisition and management of state lands, title to which vests with the Board. Sections 253.025 and 259.041, F.S., and Chapter 18-1, F.A.C., pertain specifically to the appraisal, consulting assignments and appraisal review for acquisitions of real property and form the basis from which these standards are derived. Land acquisition procedures provided for in these sections are for voluntary, negotiated acquisitions. When appraisal services are required for management or disposition of lands, procedures are set forth in Chapter 253, F.S. and Chapters 18-2 (for state-owned uplands) and 18-21, (for sovereignty submerged lands) F. A. C.

APPLICABILITY OF LAWS

The judgment or opinion of the appraiser should be governed by the legal framework outlined above. Questions of applicability or interpretation of law which may arise during the course of the appraisal assignment shall be addressed through the Bureau of Appraisal to the Department's Office of General Counsel.

PART A. SUPPLEMENTAL APPRAISAL STANDARDS for the BOARD of TRUSTEES

A-1.00 COMPETENCY

As part of maintaining the Division's approved appraiser list, the appraisers will identify their areas of expertise in appraising specialty properties. Appraisers will be solicited based on their areas of expertise. Included in the Addenda, Exhibit F is a copy of the "Form for Identifying Appraisal Specialty Areas for Which Competency Rule of the USPAP Is Met" to be used by the appraiser, which must be completed and sent to the Bureau when applying to be included on the approved appraiser list and for each annual renewal for appraisers on the list.

A-2.00 MARKET VALUE

Unless otherwise stated in the appraisal assignment and contract, the opinion of value sought is required to be that of market value. Market value is defined as:

The most probable price which 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 the following conditions:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

If other definitions of value are needed for a specific assignment, the Bureau will provide the alternative definition to the appraiser or the appraiser will be

required to compose an alternative definition according to the processes outlined in USPAP, subject to the Bureau's approval. For management functions, types of value other than market value may be required such as value in use, assemblage, lease or easement, which will be indicated for specific assignments.

A-2.01 HISTORICAL, ARCHEOLOGICAL AND SPECIAL VALUES; SEVERANCE DAMAGES

No consideration is to be given to any special value of the property to the owner not directly reflected in the market value. Desirability to the owner because of sentiment, family history or specialized personal use should not be considered in market value. Historical and/or archeological association may be considered only when and to the extent that it is recognized in the market.

Severance damages are to be considered only when there is federal government participation in an acquisition; otherwise severance damages do not apply in voluntary, negotiated acquisitions and shall not be estimated. The appraiser may comment on any potential damage perceived to the remainder property, but should not incorporate such damage in the value opinion unless specifically requested.

A-2.02 ASSUMPTIONS AND LIMITING CONDITIONS, EXTRAORDINARY ASSUMPTIONS, HYPOTHETICAL CONDITIONS

General assumptions pertaining to the appraisal must be listed.

Extraordinary Assumptions and Hypothetical Conditions are required to be referenced in a section of the appraisal report that is clear and conspicuously presented. The Extraordinary Assumptions and Hypothetical Conditions must be stated or referenced along with any final conclusion of value.

A-2.03 SURPLUS PROPERTY

State owned land may be appraised for disposition. Upon the sale of Board of Trustees land, the Board of Trustees will retain an undivided three-fourths (3/4's) interest in "all the phosphate, minerals and metals that are or may be in, on or under the said land and an undivided one-half (1/2) interest in all the petroleum that is or may be in, on or under said land with the privilege to mine and develop the same." If applicable, these rights must be considered in the valuation. (Chapter 270.11, F.S.)

Further, "the right of entry in respect to any interest in phosphate, minerals, metals or any interest in petroleum reserved in favor of the [Board] or of the State Board of Education is hereby released as to any parcel of property that is, or ever has been, a contiguous tract of less than 20 acres in the aggregate under the same ownership." If applicable, this right must be considered in the valuation. (Chapter 270.11, F.S.)

A surplus property valuation may require consideration of "assemblage" value. When required by the Bureau, two values for the surplus property are to be estimated: the "as is" value and the "assemblage" value.

A-2.04 EASEMENT APPRAISALS

A common and generally accepted method of valuation for upland easement interest is the "before" and "after" technique. The parent property is valued with and without the benefit of the prospective easement interest. The "after value" minus the "before value" is the value of the easement interest. Another acceptable method is "across the fence", with consideration that the interest to be valued is an easement interest and not a fee simple interest.

A-2.05 SUBMERGED EASEMENT APPRAISALS

The valuation of submerged easement rights that may be granted by the Board of Trustees are a direct function of their specific use and purpose. There are two primary distinctions of submerged easements; one is for easements related directly to boating activities, such as channels; whereas the second type serves the upland property or upland use and includes structures such as bridges, breakwaters or groins.

For some assignments, two values are required: one for the "easement area" itself and the second for the "enhancement". Enhancement is the increase in value allocated to the parent tract; defined as the dominant estate. The dominant estate may be an upland parcel or a boating facility, such as a marina or a docking facility. The appraiser must include two conclusions of value in this type of submerged easement report. For valuations where no enhancement exists, the appraiser must include the reasoning along with a statement of "no enhancement value" in the report.

When an existing submerged easement is a renewal, with no change in the size or use, the value is not to include the enhancement value (pursuant to 18-21.011(2)(b)2, F.A.C.).

An appraisal of a non-boating easement, such as a groin, breakwater, bridge, etc. is a type of servient estate that has a single value. The "across

the fence” method of valuation is typically used for these valuations, with the consideration that only the easement interest is the subject.

Submerged easements grant non-exclusive rights to the grantee; as such the appraiser should analyze this effect on the value.

A-3.00 FLOOD HAZARD

The appraiser is required to investigate the subject’s flood hazard or flood zone status, and COBRA zone, if applicable (Coastal Barrier Resources Act), and report the source of these findings, such as defined by the Federal Emergency Management Agency (FEMA). The appraiser is required to analyze and consider the effect of the flood hazard zone in the valuation.

A-4.00 SUBJECT SALES HISTORY

A narrative discussion of the sales history, including all sales, agreements, contracts, options and listings, of the subject within the previous five (5) years as required by Sections 253.025 and 259.041, F.S., is required in each appraisal report conducted for the valuation of property to be acquired. This history should show date of sale, official record book and page, names of all recorded grantors and grantees, the indicated consideration, and the source of verification. If the subject property was part of a larger parcel, it must be stated. The report is required to state if there have been no transfers of the subject within the previous five years.

If a sale of the subject has occurred in the previous five years and it is not considered in the valuation analysis, the appraisal report is required to provide an explanation. The appraiser is required to include a statement as to whether or not there have been any changes in or to the subject since the last sale of record, if said sale has occurred within the past five years. The effect of these changes is required to be discussed.

For the valuation of property other than acquisition purposes, the ownership history timeline is required to conform to the USPAP.

A-5.00 NON-ECONOMIC HIGHEST AND BEST USE

A non-economic highest and best use is not a proper basis for the opinion of value (See Addenda, Exhibit G); therefore, a highest and best use conclusion of conservation, preservation, or any other use that requires the property to be withheld from economic production in perpetuity, is not acceptable as a basis for value.

A-6.00 GOVERNMENT SALES

The appraiser is encouraged not to use purchases by non-profit organizations, water management districts, or quasi-governmental or governmental agencies, as primary indicators of value. Preferably, only sales from the private sector should be used as indicators of value for direct comparison to the subject property. Regional sales searches are encouraged in the event no local comparable sales can be located.

Any use of governmental, non-profit or quasi-governmental sales is required to be analyzed and considered separately in the appraisal report. The appraiser is required to consider their economic highest and best use when they were purchased and not the government's use for which they were purchased.

A-7.00 COMPARABLE SALES FORMAT AND MINIMUM NUMBER OF SALES

It is recommended that all comparables be reported in the format shown in the Addenda, Exhibit C. This format is applicable to all types of property and should be used in all self-contained and summary reports. Headings not pertinent to the type of data reported such as improvement or rental data for unimproved land sales may be omitted. A minimum of three (3) closed private sector sales are required to arrive at an opinion of value for land and for improved properties. Listings or contracts to purchase are an indication of current market activity. They may be mentioned in the appraisal; however, they shall not be relied upon in the reconciliation of value. A map showing the sales and subject is required.

A-7.01 PHOTOGRAPHS OF SALES

At least one aerial photograph is required with property boundaries overlaid. County Property Appraiser's web pages are acceptable. Also, ground level photographs are required.

A-7.02 SALE DEED

A copy of the current vesting deed of each sale is required. If lengthy, they may be placed in the addenda or only the pertinent sections included.

A-7.03 SALES SUMMARY

A sale summary spreadsheet and/or a separate adjustment grid is required. A location map is required including the subject, all sales and listings used in the valuation.

A-8.00 INTERPRETATION AND RECONCILIATION

The appraiser is required to summarize and interpret all indications of value and should state the reasons why one or more of the conclusions are indicative of value. Where reliance is placed on a particular approach to value or certain data within an approach to value, such reliance should be explained and reasoning provided.

The appraiser should reconcile the data and analysis into a final opinion of market or other defined value or assignment conclusions and indicate the allocation of values between land and improvements, if any. When partial interests are valued, the property interests appraised should be defined.

Extraordinary assumptions and hypothetical conditions, if any, are required to be restated, or referenced, with all final opinion of value statements in the report.

A-9.00 CONSERVATION EASEMENTS FOR ACQUISITION

For appraisals of a conservation easement (CE), a table is to be included summarizing the "Before" and "After" rights impacted by the easement. Examples of such rights are as follows:

Fee title	Transferability
Subdivision	Hunting and Fishing
Commercial development potential	Roads
Residential development potential	Ponds
Agricultural uses	Row crop limitations
Silviculture	Mining
Commercial well limitations	Public Access

The restrictions under the proposed CE are required to be described and analyzed, specifically in relation to the impact on the "After" highest and best use conclusion. The logic should be clear and easy to follow.

PART B. GENERAL FORMAT for SELF CONTAINED APPRAISAL REPORTS

B-1.00 GENERAL FORMAT

Fee appraisers who prepare appraisals to be reviewed through the Division of State Lands are required to submit a completed Bureau of Appraisal – Appraisal Checklist (See Addenda, Exhibit F). This checklist is to be placed in the addenda section of the appraisal report.

The Request for Proposal, Task Assignment or Letter of Engagement will contain the requested appraisal reporting requirement for an assignment. The Bureau most commonly requests a USPAP compliant, self-contained appraisal. A summary or restricted use report may be an acceptable report; however, it must be specifically requested by the Bureau.

A self-contained appraisal format is shown for both the single and multiple property reports in the Addenda, Exhibits A and B, respectively.

PART C. GENERAL STANDARDS of a MISCELLANEOUS NATURE

C-1.00 OWNER CONTACT

It is required that the appraiser contact the property owner, applicant or designated representative, which is to be included in the report if contact is made in writing. The notice is to advise of the appraiser's scheduled inspection date and request the owner, applicant or a representative to accompany the appraiser, if they so desire. If the notice is not included in the report, there is required to be a statement in the report indicating that the owner or owner representative, with their name(s), were present at the inspection, as such an indication that notice was made.

C-2.00 CONFLICT OF INTEREST

The appraiser is required to submit an affidavit, prior to starting the assignment, certifying that he or she has no vested or fiduciary interest in the property to be appraised.

It is the ethical responsibility of the individual appraiser to refuse any assignment in which he or she may hold or contemplate holding any interest or in which he or she might be influenced by any personal interest in other

properties. If the appraiser is unclear on whether he or she has a conflict of interest, it is the responsibility of the appraiser to advise the Bureau of Appraisal of all facts in order that the Bureau may decide whether or not it would be proper for the appraiser to accept the assignment.

C-2.01 PROPERTY OWNER PREVIOUS CLIENT

The Bureau of Appraisal may disqualify from consideration a proposal from an appraiser who has appraised the subject property or had the subject property owner or applicant as a previous client. Exceptions to this policy may be made by the Bureau if the appraiser supplies a satisfactory explanation of the previous client relationship and that no material conflict of interest exists.

C-3.00 DATA FURNISHED TO THE APPRAISER

The appraiser should base the opinion of value on specific data, when provided, by the Bureau of Appraisal. This data may include items such as size, dimensions, shape, title information, limitations or impediments, and tax information. Every attempt will be made to provide all available data concerning the subject property to assist the appraiser. However, due diligence on the part of the appraiser is expected to confirm or correct data.

Where initial title work is provided the appraiser, it is often incomplete, relative to the status of oil gas and mineral rights. If due diligence on the part of the appraiser discovers additional information, a copy of the source should be provided in the appraisal report. If there could be any impact on value, it should be considered, using market data to support the conclusion. On the other hand, if the title work provided is incomplete, and if no additional information is found clarifying the status of the oil, gas and mineral rights, the appraiser cannot be expected to comment on any value impact and must assume that oil, gas and mineral rights are included in the fee simple interest.

C-4.00 PUBLIC RECORDS

The appraiser is advised that after the confidential period authorized by Chapters 253, 259 and 119, F.S. ends, the Bureau may release the appraisal reports, or any part thereof, to the public under provisions of State law, such as public records law in Chapter 119, F.S. or the Sunshine Act in Chapter 286, F.S. Such laws supersede any statements or limiting conditions contained in the appraisal report. Prior notice to the appraiser of release by the State is not required.

The appraisal reports and all data therein shall, upon delivery to the Bureau of Appraisal, become the property of the Department. The Bureau of Appraisal will provide any data or exhibits from the report to any requesting parties subject to confidentiality requirements imposed by Chapter 119, 253, or 259, F.S.

C-4.01 COOPERATIVE EFFORT

The appraiser may, if desired, consult or cooperate with another appraiser. The material contribution of any such person shall be acknowledged in the report. Cooperation between appraisers assigned to the project is encouraged and can include the sharing of data, scope of work and preliminary analysis; however, the final opinion of value is the responsibility of the assigned appraiser.

C-5.00 EMPLOYMENT OF SPECIALIST

In the event an appraisal assignment necessitates the estimation of improvement or engineering costs, the valuation of specialized equipment, machinery, trade fixtures, timber or mineral deposits, the appraiser may employ a specialist or consultant as needed. The specialist's or consultant's report should be included in the addenda to the appraisal report or provided separately to the Bureau.

The appraiser's fee proposal must contain the consultant's fee as part of the appraisal fee proposal. Fees are to be separately quoted in the proposal. The appraiser may be responsible for contractual relationships with the specialists or consultants they employ. For forestry consultants there are specific timber standards and selection criteria, *Timber Cruise/Timber Value Standards* which can be found on the Bureau of Appraisal website: <http://www.dep.state.fl.us/lands/appraisal.htm> or by contacting the Bureau.

C-6.00 APPRAISAL REVIEW

Applicable law allows the Bureau to review or contract for the review of appraisals. The Bureau is responsible for this function and is the sole contact between the Department and the appraisers or review appraisers for all matters pertaining to appraisal or appraisal review activities.

For the acquisition of real property, a technical review is required for properties valued greater than \$500,000 (Rule 18-1, F.A.C.). The technical appraisal review will be developed and reported according to the requirements of Standard 3 of the USPAP. The purpose of a Standard 3 review is to assure that the appraisal conforms to the USPAP, these

Supplemental Standards, and any other requirements of the specific assignment. For the acquisition of conservation lands and for parcels with value of \$500,000 or less, a cursory review will be conducted for assurance that requirements of the assignment were met.

For Board of Trustees acquisition appraisals for conservation lands, a USPAP Standard 3 review will be developed and reported for every 20th appraisal with a value of \$500,000 or less, for quality assurance purposes.

For state-owned property, appraisal reviews are to be conducted by a private sector appraiser or by a Bureau staff appraiser, when applicable.

C-6.01 FIELD REVIEW

The review appraiser must personally inspect the property appraised and the pertinent comparable sales or other properties on which the appraiser placed major reliance in arriving at an opinion of value, unless exempted from doing so by the Bureau of Appraisal. The review appraiser may also verify market data, confirm market opinions or assumptions and gather information pertinent to the appraisal.

C-6.02 REVIEW QUESTIONS AND APPRAISER'S RESPONSE

It is the review appraiser's responsibility to communicate with the appraisers in an attempt to correct deficiencies, inaccuracies, provide additional clarification or to reconcile differences in appraisal techniques or premises between appraisal reports when there are two appraisals for a subject property.

Although the review appraiser may verbally discuss review questions with the appraiser, substantive comments or requests for clarification or additional support are required to be communicated to the appraiser in writing and copied to the Bureau.

The appraiser is required to promptly respond to the review appraiser.

C-6.03 CORRECTIONS OR CHANGES

The appraiser must respond in a timely manner pursuant to the appraisal assignment. If corrections or reconsiderations result in changes in the appraisal report, the appraiser is required to furnish the appropriate number of corrected or revised pages to allow all copies of the report to be complete. All clarifications, corrections or revisions of existing data, or resulting from reconsideration of data, which would have been available to the appraiser

during preparation of the original report, will be made at no additional cost to the Department.

The appraisal report will not be approved by the review appraiser until all review questions or requests have been answered by the appraiser to the review appraiser's satisfaction.

ADDENDA

EXHIBIT A - SINGLE PARCEL APPRAISAL FORMAT

The project name and the Bureau of Appraisal File Number is to appear on the cover and title page

Introduction

Title page

(Project Name and B/A File Number and, if applicable, the Florida Communities Trust/FCT File Number)

Letter of transmittal

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Assumptions and Limiting Conditions

Extraordinary Assumptions and Limiting Conditions

Qualifications of the Appraiser

Certification of Value

Executive Summary for each parcel or ownership (Refer to Addenda – Exhibit D)

Premises of the Appraisal

Scope of the appraisal

Intended Use and User of the Appraisal

Definition of value and date of value opinion

Property rights appraised

Presentation of Data

Area, city, neighborhood, and location data

Site data

Identification of the property, legal description, Location, Jurisdictional wetlands, flood hazard area, access, oil/gas & mineral rights, size, shape, topography, drainage, utilities

Easements, encroachments, encumbrances

Assessments and taxes

Aerial and ground level photographs

Location and site map

Description of improvements

Land use and zoning

Taxes and assessment data

Five-year (5 year) ownership history of the subject

Prior sales and current offers or listings

Analysis of Data and Conclusions

Highest and best use of land as though vacant

Highest and best use of the property as improved (if improvements are present)

Land value

Sales comparison approach

Sale data – sale write-ups, aerial map and photographs, and copies of deeds

Government/private sector sales analyzed separately

Cost approach, if applicable

Income capitalization approach, if applicable

Reconciliation of value indications into a final opinion of value

Addenda

Detailed legal description, if not included in the presentation of data

Detailed statistical data (if any)

Leases or lease summaries (if any)

Owner contact letter

Bureau of Appraisal-Appraisal Checklist

Other addenda applicable to the specific report

EXHIBIT B - MULTIPLE PARCEL APPRAISAL FORMAT

(If appropriate, Volume I and II can be bound in one volume.)

Volume I – Data Book

Introduction

Title page

(Project Name and B/A File Number and, if applicable, the Florida Communities Trust/FCT File Number)

Letter of transmittal

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Scope of the appraisal

Intended Use and User of the Appraisal

Definition of value and date of value opinion

Property rights appraised

Presentation of Data

Area, City, Neighborhood and Location data

Sale data – sale write-ups, aerial map and photographs, and copies of deeds

Addenda (Include those applicable to the project as a whole.)

Volume II – Specific Parcel Data and Analysis (Additional volumes as needed)

Parcel Data, Analysis and Conclusions (for each tabbed parcel or ownership)

Executive Summary for each parcel or ownership (Refer to Addenda – Exhibit D)

Site data

Identification of the property, legal description, Location, Jurisdictional wetlands, flood hazard area, access, oil/gas & mineral rights, size, shape, topography, drainage, utilities

Easements, encroachments, encumbrances

Assessments and Taxes

Aerial and ground level photographs

Location and site map

Description of improvements

Land use and zoning

Taxes and assessment data

Five-year (5 year) ownership history of the subject

Prior sales and current offers or listings

Highest and best use of land as though vacant

Highest and best use of the property as improved (if improvements are present)

Land value

Sales comparison approach

Sale data – sale write-ups, aerial map and photographs, and copies of deeds

Government/private sector sales analyzed separately

Cost approach, if applicable

Income capitalization approach, if applicable

Reconciliation of value indications into a final opinion of value

Addenda (Include only those that are parcel specific within each tabbed parcel section. Please see the list of addenda items in the Single Parcel Appraisal Format.)

EXHIBIT C - SALES FORMAT

(Headings not pertinent may be omitted)
(Headings may be placed in left column alignment if desired)

APPRAISERS REFERENCE NO.:

PROPERTY TYPE:

LOCATION:

BRIEF LEGAL DESCRIPTION:

O.R. BOOK/PAGE:

GRANTOR: (Lessor)

GRANTEE: (Lessee)

LAND SIZE:

ACCESS: (Describe legal and physical access)

COMPREHENSIVE LAND USE AND ZONING:

PROPERTY DATA:

PRICE: (Sale, Offering, Rent, etc.)

DATE (OF TRANSACTION):

PROPERTY RIGHTS CONVEYED: (Outstanding oil, gas or mineral interests, etc.)

TERMS: (Financing, Lease, etc.)

VERIFICATION: (by whom within the appraisers firm, with whom, and date contacted)

CONDITIONS OF SALE:

PRESENT USE:

HIGHEST AND BEST USE:

INTENDED USE: (If no immediate development was planned, include any information revealing the buyer's perception of development pressure or anticipated holding period as a speculative investment property.)

COMMENTS: (Other pertinent information. Do not include analysis or comparison to subject on this page. Attach separate page if analysis or comparison discussion is to be included here on each sale.)

SKETCH/PHOTOS/AERIALS:

DEED: (Attach a copy of vesting deed for this transfer of ownership.)

Prior Sale Information: (Report any prior sales within the previous 3 years.)

EXHIBIT D - EXECUTIVE SUMMARY
C O N F I D E N T I A L

Project Identification: Name:
B/A File No. and if applicable the FCT File No.

Parcel Identification: Parcel No.
Owner's Name:

Appraiser: Appraisers name and company name

Dates: Date of Value:
Date of Reports:

Interest Appraised: Fee Simple
Conservation Easement

Parcel Size: Gross Acreage:
Upland Acreage:
Jurisdictional Wetland Acreage:

Ownership History,
Listings, Sale Contracts

Parcel Access: Legal (road, easement, etc.)
Physical (road, trail, none, etc.)

Land Use/Zoning: Residential Density Allowed
Name of Future Land Use and Zoning Designations
Typical/Legal Use(s):

Assessed Value:

Utilities: Utilities available; how far from site (water, sewer,
electric, telephone)

Flood Zone Information: In or out of 100 or 500 year flood hazard zones(s)

Mineral Rights: As Applicable:
Rights reserved (mineral, gas, oil, etc.)
Type of access
Exploration allowed
Impact on value

EXECUTIVE SUMMARY (Continued)

Page 2

<u>Easements:</u>	Type and area encumbered Impact on value:
<u>Other Encumbrances:</u>	Type Impact on value
<u>Highest and Best Use:</u>	As vacant: describe economic use As improved: describe economic use
<u>Present Use:</u>	
<u>Opinion of Value:</u>	As Applicable: Total value Land value Improvement(s) value; e.g., building Timber value Conservation easement Fee simple value Value with easement Sales Comparison Approach: Cost Approach: Income Approach/Discounted Cash Flow:
<u>Extraordinary Assumptions and/or Hypothetical Conditions:</u>	State briefly what they are Effect on value
<u>Unit Values:</u>	As Applicable: Price/unit of comparison: \$/acre, \$/square foot, \$/developable unit, \$/upland acre, \$/jurisdictional wetland acre, etc.
<u>Sales Data:</u>	Dollar range per unit of comparison (lowest and highest): Prior to adjustments After adjustments

**EXHIBIT E - FORM FOR IDENTIFYING APPRAISAL SPECIALTY AREAS
FOR WHICH COMPETENCY RULE OF THE USPAP IS MET**

Name: _____

Check the boxes that apply and provide the most recent appraisal assignment project name, county, and year of date of value.

- 1- Mineral Resources & Mining Property
Project: _____ County: _____ Year: _____
- 2- Timber Land & Resources
Project: _____ County: _____ Year: _____
- 3 - Corridor/Right of Way Land (Proposed and Existing)
Project: _____ County: _____ Year: _____
- 4 - Conservation Easements
Project: _____ County: _____ Year: _____
- 5 - Developments of Regional Impact
Project: _____ County: _____ Year: _____
- 6 - Environmentally Contaminated Property
Project: _____ County: _____ Year: _____
- 7 - Properties with known Regulated Species Present
Project: _____ County: _____ Year: _____
- 8 - Urban Improved Property
Project: _____ County: _____ Year: _____
- 9 - Properties with Water Dependant Uses (Marinas, Fish Camps, Sovereign Land Issues, etc.)
Project: _____ County: _____ Year: _____
- 10 - Partial Interests (access or utility, upland or submerged land easements, aerial fly zones, etc.)
Project: _____ County: _____ Year: _____
- 11 - Appraisals under Federal Standards
Project: _____ County: _____ Year: _____
- 12 - Property Impacted by Historic or Archaeological Areas
Project: _____ County: _____ Year: _____
- 13 - Agriculture Specialty Property (citrus, sugar cane, sod, etc.)
Project: _____ County: _____ Year: _____
- 14 - Springs
Project: _____ County: _____ Year: _____
- 15 - Other:
Project: _____ County: _____ Year: _____

Signature

Date

EXHIBIT F - BUREAU OF APPRAISAL - APPRAISAL CHECKLIST

INSTRUCTIONS: THIS CHECKLIST IS TO BE USED BY APPRAISERS WHEN PREPARING APPRAISAL REPORTS FOR STATE LAND. ALL ITEMS ON THIS CHECKLIST MUST BE MARKED.

ITEMS THAT ARE MARKED "NO" MUST BE NARRATIVELY ADDRESSED WITHIN THE BODY OF THE COMPLETED APPRAISAL REPORT.

THE CHECKLIST IS TO BE INSERTED IN THE ADDENDA OF THE APPRAISAL REPORT.

BUREAU OF APPRAISAL - APPRAISAL CHECKLIST, PART ONE

GENERAL — VACANT LAND

		Yes	Page No.	No	N/A
1	Is a completed "Executive Summary" included for each parcel and/or final opinion of value?	[]	[]	[]	[]
2	Does the appraisal follow the recommended general format for narrative appraisal reports? (this format should be used by the fee appraiser	[]	[]	[]	[]

PREMISES OF THE APPRAISAL

3	Is there a description of the extent of the process(scope) of collecting, confirming and reporting data?	[]	[]	[]	[]
4	Is the Bureau of Appraisal's definition of market value, or other defined value, used?	[]	[]	[]	[]
5	Is the intended use (function) and user of the appraisal identified?	[]	[]	[]	[]
6	Are the property interests (rights) appraised identified? (e.g. fee simple, leased fee, easement, fee simple subject to)	[]	[]	[]	[]
7	Does the appraisal state any Extraordinary Assumptions and Hypothetical Conditions?	[]	[]	[]	[]
8	Does the appraisal report consider whether a fractional interest, physical segment or partial holding contribute pro rata to the value of the whole?	[]	[]	[]	[]
9	Are the effective date of value and the date of the appraisal report stated?	[]	[]	[]	[]

PRESENTATION OF DATA

10	Is a legal description of the property appraised included in the report?	[]	[]	[]	[]
11	Is a five-year subject sales history included?	[]	[]	[]	[]
12	Does the appraiser explain why the previous sale of the subject, if within five years, was not used in the valuation?	[]	[]	[]	[]

Bureau of Appraisal - Appraisal Checklist
Page 2

		Yes	Page No.	No	N/A
13	Is any current agreement of sale, option or listing of the property under appraisal analyzed?	[]	[]	[]	[]
14	Was a neighborhood analysis provided including a discussion of market trends, either positive or negative, which affect the subject property?	[]	[]	[]	[]
15	Is a land use analysis provided which discusses existing land use and zoning designations, impending use restrictions or other existing or proposed concurrency or land use planning restrictions?	[]	[]	[]	[]
16	Does the appraisal report provide the current assessed value of the subject property?	[]	[]	[]	[]

DESCRIPTION OF SUBJECT

17	Are photographs and an aerial included?	[]	[]	[]	[]
18	Does the appraisal report describe the size, shape and other physical characteristics of the site/land?	[]	[]	[]	[]
19	Does the appraisal report describe access to the property?	[]	[]	[]	[]
20	If the access is poor, inadequate or substandard, does the appraisal address its affect, with supporting market evidence, on value?	[]	[]	[]	[]
21	Does the appraisal describe the topography of the property?	[]	[]	[]	[]
22	Does the appraisal report describe the location of the property?	[]	[]	[]	[]
23	Does the appraisal report describe the property's road frontage?	[]	[]	[]	[]
24	Does the appraisal report describe the property's water frontage, if applicable?	[]	[]	[]	[]
25	Does the appraisal report describe utilities available and their proximity to the property?	[]	[]	[]	[]

Bureau of Appraisal - Appraisal Checklist

Page 3

		Yes	Page No.	No	N/A
26	Does the appraisal report describe nuisances and hazards, if any, affecting the value of the property?	[]	[]	[]	[]
27	Does the appraisal report describe any existing and/or potential environmental hazards affecting the value of the property?	[]	[]	[]	[]
28	Is the tax assessment included?	[]	[]	[]	[]
29	Does the appraisal report describe the drainage and the existence of flood plain conditions affecting the value of the property?	[]	[]	[]	[]
30	Does the appraisal report discuss any easements, encroachments and rights-of-way affecting the value of the property and the affect on value?	[]	[]	[]	[]
31	Does the appraisal report discuss the affect on the value of the property as a result of outstanding oil, gas and mineral interests?	[]	[]	[]	[]

ANALYSIS OF DATA AND CONCLUSIONS

Highest and Best Use

32	Is the highest and best use of the property "as vacant" and "as improved", if applicable, analyzed?	[]	[]	[]	[]
33	Is the highest and best use based on an "economic use" of the property?	[]	[]	[]	[]

Land Valuation

34	Is a minimum of 3 sales included and analyzed?	[]	[]	[]	[]
35	Are photographs and an aerial of the sales included?	[]	[]	[]	[]
36	Did the appraiser include a sale and listing location map that also shows the subject?	[]	[]	[]	[]

Bureau of Appraisal - Appraisal Checklist
Page 4

	Yes	Page No.	No	N/A
37 Is the unit of comparison appropriate for the subject's market?	[]	[]	[]	[]
38 Are the comparable sales similar to the subject in highest and best use?	[]	[]	[]	[]
39 If the comparable sales are not similar in highest and best use, is an adequate discussion included as to why the sales are used?	[]	[]	[]	[]
40 Are the comparable sales adjusted for cash equivalency or otherwise clearly explained?	[]	[]	[]	[]
41 If you included comparable sales to governmental units and/or non-profit groups, were they analyzed separately with appropriate comments explaining differences, if any, compared to private transactions?	[]	[]	[]	[]
42 If the appraisal report includes extraordinary assumptions and hypothetical conditions are their impacts on value adequately supported and reported in the reconciliation and final value estimate?	[]	[]	[]	[]
43 If you provide a discounted cash flow model in valuing the subject property, did you also provide a sales comparison, or other, approach to arrive at the present value of the subject property?	[]	[]	[]	[]
44 Are demolition costs, if any, appropriately considered for the comparable sales and the subject property?	[]	[]	[]	[]

IF THE SUBJECT DOES NOT INCLUDE VALUATION OF IMPROVEMENTS,

PROCEED TO PART THREE – NUMBER 78

BUREAU OF APPRAISAL - APPRAISAL CHECKLIST
PART TWO

GENERAL - IMPROVED PROPERTIES

Cost Approach

		Yes	Page No.	No	N/A
45	Are there photographs of each major improvement?	[]	[]	[]	[]
46	Is a sketch of the building or a copy of the building plans included?	[]	[]	[]	[]
47	Does the appraisal report identify and describe any potential environmental hazards (e.g., asbestos)?	[]	[]	[]	[]
48	Is the source of the reproduction or replacement cost new of the improvements identified and explained?	[]	[]	[]	[]
49	Was entrepreneurial profit, whether included or excluded, identified and supported?	[]	[]	[]	[]
50	Is curable physical deterioration (deferred maintenance) considered?	[]	[]	[]	[]
51	Is incurable physical deterioration considered?	[]	[]	[]	[]
52	Is functional obsolescence considered?	[]	[]	[]	[]
53	Is external obsolescence considered?	[]	[]	[]	[]
54	Is the contributory value of the site improvements supported?	[]	[]	[]	[]

Income Approach

55	Are the comparable rentals adequately documented and considered?	[]	[]	[]	[]
56	Is a general rental location map also showing the location of the subject property included?	[]	[]	[]	[]
57	Are adjustments to the comparable rentals supported?	[]	[]	[]	[]

Bureau of Appraisal - Appraisal Checklist
Page 6

		Yes	Page No.	No	N/A
58	Is a current rent roll and recent income history for the property provided in the report or lack thereof explained?	[]	[]	[]	[]
59	Were all existing leases considered?	[]	[]	[]	[]
60	Does the report indicate whether the contract rental income is at or near market rental rates?	[]	[]	[]	[]
61	Is the estimate of vacancy and collection loss adequately supported?	[]	[]	[]	[]
62	Is a recent expense history for the subject property provided in the report?	[]	[]	[]	[]
63	Are the projected expenses explained and supported?	[]	[]	[]	[]
64	Are differences between the projected expenses and the property's historical expense trend supported and described?	[]	[]	[]	[]
65	Is each component of the selected capitalization method and technique supported by appropriate market data?	[]	[]	[]	[]
66	Are deductions for rent loss, leasing commissions, tenant improvements, deferred maintenance, etc., accounted for in the discounted cash flow analysis?	[]	[]	[]	[]
67	Is the discount rate supported by appropriate market data?	[]	[]	[]	[]
68	Is the terminal capitalization rate supported considering the future risk and increased age of the improvements?	[]	[]	[]	[]
69	Are reasonable sales costs deducted from the estimated reversion to arrive at the net property reversion?	[]	[]	[]	[]

Sales Comparison Approach

70	Is the unit of comparison appropriate for the subject's market?	[]	[]	[]	[]
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Bureau of Appraisal - Appraisal Checklist
Page 7

		Yes	Page No.	No	N/A
71	Are the sales adequately documented and presented?	[]	[]	[]	[]
72	Are photographs and an aerial of the sales included?	[]	[]	[]	[]
73	Does the report include a sales and listing location map showing the subject property?	[]	[]	[]	[]
74	Are the comparable sales similar to the subject in highest and best use?	[]	[]	[]	[]
75	If the comparable sales are not similar in highest and best use, is a discussion included as to why the sales are used?	[]	[]	[]	[]
76	Are the comparable sales adjusted for cash equivalency or otherwise clearly explained?	[]	[]	[]	[]
77	Are the adjustments that were applied to the sales adequately supported?	[]	[]	[]	[]

Bureau of Appraisal - Appraisal Checklist

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**BUREAU OF APPRAISAL - APPRAISAL CHECKLIST
PART THREE**

Reconciliation

		Yes	Page No.	No	N/A
78	Is the quality and quantity of data considered and reconciled and the applicability or suitability of the approaches considered and reconciled?	[]	[]	[]	[]
79	Is the final value estimate consistent with the highest and best use, the data, and analyses presented in the report?	[]	[]	[]	[]
80	Does the appraisal report consider and analyze the effect on value, if any, of the assemblage of the various estates or component parts of a property, refraining from estimating the value of the whole property simply by adding together the individual values of the various estates or component parts without explanation?	[]	[]	[]	[]
81	In arriving at a final value estimate, does the appraisal consider the value impact (cost to cure/stigma) of environmental hazards and/or other contamination (underground storage tanks, toxic waste disposal, etc.) before concluding the "as is" value?	[]	[]	[]	[]

Miscellaneous

82	Does the report provide an estimate of the property's anticipated exposure time, as required by USPAP?	[]	[]	[]	[]
83	Does the appraisal explain and support the exclusion of any of the usual valuation approaches?	[]	[]	[]	[]
84	Are Extraordinary Assumptions and Hypothetical Conditions repeated, or referenced with all statements of the final opinion of value?	[]	[]	[]	[]

SIGNED:

DATE:

EXHIBIT G - INTERAGENCY LAND ACQUISITION CONFERENCE -
POSITION PAPER ON A NON-ECONOMIC HIGHEST AND BEST USE

**On the issue whether a non-economic highest and best use can
be a proper basis for the estimate of market value.**

INTRODUCTION

The Interagency Land Acquisition Conference is an organization composed of representatives of federal agencies engaged in the acquisition of real estate for public uses. The Conference was established on November 27, 1968, by invitations issued by the Attorney General. The Conference chairperson is the Assistant Attorney General of the Environment and Natural Resources Division, Department of Justice, and the Conference Executive is the Chief of the Land Acquisition Section of the Environment and Natural Resources Division, Department of Justice.

The Conference conducts its business by *ad hoc* committee called into session as land acquisition issues arise that affect the federal land acquiring agencies. For example, when the Freedom of Information Act (FOIA) was enacted, the Conference was called into session and developed a position paper regarding the release of government appraisal reports under FOIA. The Conference was also responsible for the development of the *Uniform Appraisal Standards for Federal Land Acquisitions* published in 1972, as well as the 1973 and 1992 revisions thereof, which establish guidelines for appraisals prepared for the purpose of federal land acquisition.

When the subject under Conference consideration is valuation, as here, the agencies are generally represented on the Conference by their Chief Appraisers.

The member agencies of the Conference whose representatives participated in this project are:

U.S. Department of Justice
U.S. Army Corps of Engineers
General Services Administration, FPRS
General Services Administration, PBS
Housing and Urban Development, MF
Housing and Urban Development, SF
Bureau of Land Management
U.S. Fish and Wildlife Service
U.S. Forest Service
Department of Transportation, FHWA
National Park Service
U.S. Navy
Western Area Power Administration
U.S. Postal Service
Bureau of Indian Affairs
Bureau of Reclamation
Pennsylvania Avenue Development Corporation
Bonneville Power Administration
Federal Aviation Administration

The Conference convened in late 1994 to consider the issue that is the subject of this paper. It was decided by the Conference that a committee should be appointed to study the issue and draft a position paper for consideration by the Conference. The committee appointed consisted of the representatives of the following Conference members:

U.S. Department of Justice
U.S. Forest Service
U. S. Fish and Wildlife Service
Bureau of Land Management
Bonneville Power Administration
U.S. Army Corps of Engineers
Department of Transportation, FHWA
National Park Service

The committee developed a draft position paper and submitted it to the members of the Conference. Following receipt of comments and suggestions from Conference members, a modified final version of the paper was presented to the Conference members and approved.

THE ISSUE

Is a non-economic highest and best use a proper basis for the estimate of market value?

This question has been analyzed by the Conference with reference to the *Uniform Appraisal Standards for Federal Land Acquisitions*, (Washington, D.C.: U.S. Printing Office, 1992).

BACKGROUND

Public concern over the environment the past several years has resulted in legislatively mandated land acquisitions for the sole purpose of conservation, wildlife habitat, or preservation of the lands in their natural state. Because of the nature of these acquisition programs and the goals they are intended to achieve, much of the land acquired is held in large ownership blocks, is remotely located, has suffered little human encroachment, and is of minimal economic utility or value.

Historically, the appraisal of such lands would bring about such economic highest and best use estimates as timber production, grazing, marginal recreation, or hold for speculative appreciation. Recently however, a small group of appraisers and others have advocated that the highest and best use of such lands is for the very purpose for which the government is acquiring them - such as preservation in their natural state, or other non-economic uses.

The validity of appraisals, based on non-economic highest and best uses, as legitimate estimates of market value has been the subject of numerous articles in professional journals, and has been the subject of committee research and/or forums at the national meetings of the International

Right-of-Way Association, the American Society of Farm Managers and Rural Appraisers, and the Appraisal Institute. In many of these articles and forums it has been suggested that estimates of such value are not estimates of market value, but rather estimates of value in use, value to the government or public, natural value, or public interest value.¹

Value estimates and appraisal reports have been developed on this premise of "preservation" as a property's highest and best use. Legal counsel for some property owners have submitted these reports to Conference members urging that they be accepted as reliable opinions of market value.

They have argued that such reports are in conformance with the *Uniform Appraisal Standards for Federal Land Acquisitions*, (Washington, D.C.: U.S. Printing Office, 1992), the *Uniform Standards of Professional Appraisal Practice*, and are in keeping with generally accepted definitions of highest and best use and market value.

Conference members, to whom such reports have been submitted, have found within them a common thread. Authors of these reports have adopted a definition of highest and best use that encompasses consideration of non-economic uses. The appraisals develop an indication of value that clearly falls outside of the traditionally accepted definition of market value.

Under established law the criterion for just compensation is the fair market value of the property at the time it is acquired.² Because the purpose of the *Uniform Appraisal Standards for Federal Land Acquisitions* is to set forth the principles applicable to the appraisal of property for Federal land acquisitions by both direct purchase and condemnation,³ only estimates of market value are applicable to federal land acquisitions. Absent legislative mandate, any other type of value estimate is unacceptable for Federal land acquisition purposes.

¹ The Conference finds the term "public interest value" inappropriate and misleading. After a review of several of these reports the Conference has concluded that what is being estimated is not a value, but a prediction of the price at which a transaction will be consummated between two specific parties rather than market value. The Dictionary of Real Estate Appraisal, 3d. ed. (The Appraisal Institute, 1993) defines "price" as "The amount a particular purchaser agrees to pay and a particular seller agrees to accept under the circumstances surrounding their transaction."

² Uniform Appraisal Standards for Federal Land Acquisitions, (Washington, D.C.: U.S. Printing Office, 1992), §A-2, p. 3, citing *United States v. 50 Acres of Land*, 469 U.S. 24, 29 (1984); *Kirby Forest Industries, Inc. v. United States*, 467 U.S. 1, 9 (1984); *United States v. Miller*, 317 U.S. 369, 373-378 (1943); *Olson v. United States*, 292 U.S. 246, 255 (1934); *United States v. Petty Motor Co.*, 327 U.S. 372, 377-378 (1946).

³ *Ibid.*, p. 1.

HIGHEST AND BEST USE

Fair market value is to be determined with reference to the property's "highest and best use" - that is, the highest and most profitable use for which the property is adaptable and needed or likely to be needed in the near future.⁴

A proposed highest and best use requires a showing of a reasonable probability that the land is both physically adaptable for such use **and** that there is a need or demand for such use in the reasonably near future; physical adaptability alone is insufficient.⁵

Highest and best use cannot be predicated on a demand created solely by the project for which the property is taken (*e.g.*, rock quarry, when only market is highway project for which property was taken). A proposed highest and best use cannot be the use for which the government is acquiring the property (*e.g.*, missile test range, airfield, park), unless there is a prospect and demand for that use by others than the government.⁶

The use to which the government will put the property after it has been taken is, as a general rule, an improper highest and best use. It is the value of the land taken which is to be estimated, not the value of the land to the taker. If it is solely the government's need which creates a market for the land, this special need must be excluded from consideration by the appraiser. Only on the rare occasion that a private demand for the land exists, for the same use for which it is being acquired by the government, is it proper for the appraiser to conclude that the highest and best use of the property is that use for which it is being acquired by the government.⁷

From the above it is clear that highest and best use, as used in the *Uniform Appraisal Standards for Federal Land Acquisitions*, is to be estimated in economic terms. Implied in the forgoing is that highest and best use is an economic concept, not a social concept. This position is supported by modern appraisal textbooks.

Therefore, the analysis and interpretation of highest and best use is an *economic* study of market forces focused on the subject property.⁸ The benefit a real estate development [or non-development in the case of preservation] produces for a community or the amenity contribution provided by a planned project (*i.e.*, the public space in a park-like area) are not considered in the appraiser's analysis of highest and best use.⁹

⁴ *Ibid.*, §A-3, p. 8, citing *Olson v. United States*, 292 U.S. 246, 255 (1934).

⁵ *Ibid.*, p.9, citing *Olson, supra*, 292 U.S. at 256; *United States v. 341.45 Acres of Land*, 633 F.2d 108, 111 (8th Cir. 1980), cert. denied, 451 U.S. 938 (1981).

⁶ *Ibid.*, pp. 9-10 (citations omitted).

⁷ *Ibid.*, §B-1 14, pp. 73-74.

⁸ *The Appraisal of Real Estate*, 10th ed., (Chicago: Appraisal Institute, 1992), 276-277 (emphasis added).

⁹ *Ibid.*, 276, fn. 1.

CONCLUSIONS

For the above reasons, it is the Conference's position that a non-economic highest and best use is not a proper basis for the estimate of market value and, accordingly, that a highest and best use of conservation, preservation, or other use that requires the property to be withheld from economic production in perpetuity, is not a valid use upon which to estimate market value. Such an estimate is, therefore, not in conformance with the *Uniform Appraisal Standards for Federal Land Acquisitions*.

ADOPTED this 14th day of April, 1995.

Interagency Land Acquisition Conference

By: /s/

Lois J. Schiffer, Conference Chairperson

By: /s/

William J. Kollins, Conference Executive