

Ohio Public Works Commission Clean Ohio Greenspace Conservation Program Standards & Procedures for Appraisal Reporting

Prior to acquiring property by fee simple or as a conservation easement, the Ohio Public Works Commission requires an Appraisal Report (as opposed to a Restricted Appraisal Report). Appraisal Reports are used by the program to determine value of the property to be acquired by fee simple or as a conservation easement. "Value" is that which is defined by the Dictionary of Real Estate Appraisal or the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (Title XI). The appraisal and Appraisal Report must comply with the Uniform Standards of Professional Appraisal Standards (USPAP).

The Appraisal Report is typically provided with other required documents as part of the Request to Proceed submittal to the Commission. However, Natural Resources Assistance Councils (NRACs) may require that an appraisal be provided with the grant application so check the requirements of the NRAC having jurisdiction over the project location. Requirements vary from NRAC to NRAC. It may be possible to initially invest in a Restricted Appraisal Report for the application and, if funded, have the appraiser revise the documentation to an Appraisal Report. The appraisal must be conducted by an Ohio Department of Transportation (ODOT) Prequalified Appraiser who is credentialed in value analysis. The Prequalified Appraiser must personally conduct the site visit and sign the appraisal. These responsibilities cannot be delegated.

The appraisal may be ordered by any party involved with the project except for the seller. It is incumbent upon the party ordering the appraisal to clearly communicate to the appraiser the scope of the project and the reason for the appraisal. The appraisal must be limited to the acquisition. Improvements to the property should only be included in the appraisal if impacted or included in the acquisition. Note that Federal Land Acquisition Standards (the 'yellow book') do not apply to the Conservation Program which is a state-funded program. In addition, although the program requires the use of ODOT prequalified appraisers it must be communicated to the selected appraiser that the ODOT summary appraisal does not apply as well. Appraisals are deemed valid for twelve months from the time they are performed.

Conservation Easements

A conservation easement is a recorded land-use agreement in which the property owner conveys to a governmental agency or 501(C)(3) non-profit agency certain rights to be enforced by the holder for public benefit. The grant recipient must provide the easement language to the appraiser to determine what development rights (if any) are remaining to the property owner. Easements differ significantly; therefore, it is important that comparable sales (comps) are reviewed carefully. The purpose of the appraiser's analysis is to determine the highest and best use of the property before the easement is placed compared to the highest and best use of the property after an easement is placed. Conclusions should provide for values before and after easement placement and an estimate of just compensation which is the difference in those values.

Variances in Purchase Price and Appraised Value

The OPWC accepts Purchase Contracts exceeding appraised value only if validated by the respective NRAC, and if the applicant presents documentation giving proof or evidence that the subject property is under development pressure. Such documentation may include a letter from a developer, purchase contract, or development plans. Under no circumstances shall an NRAC approve payment above appraised value if the known purpose is to circumvent rules or to cover other costs such as lost tax revenue. These projects will not be issued a Notice to Proceed until the NRAC validation has occurred. A Notice to Proceed will be issued if the Purchase Contract with documentation and qualifying appraisal were available at the time the NRAC approved the project.

Projects for which the purchase price is less than the appraised value for gift taxes/charitable contributions ("bargain sale") will be required to have an appraisal review performed by an ODOT Prequalified Appraisal Reviewer. This is someone credentialed as an Appraisal Reviewer and who did not serve as the original appraiser. A desk review, submitted in report format, is required in which the review

appraiser analyzes the information provided by the appraiser of record. The appraisal review is to confirm the appraiser's opinion of value and to ensure that the purchase price history, comps, adjustments, and disclaimers are accurate. Grant recipients that have an appraisal review rejected will not be issued a Notice to Proceed until these discrepancies are resolved. When using bargain sale, the OPWC reserves the right to require the review appraisal prior to issuing an agreement in order to certify local share.

While the Ohio Revised Code allows the Clean Ohio Conservation Program to acquire properties above appraised value, it is important for the NRACs to be cognitive of this variance. It is equally important to validate the value of properties that are using the difference between the Purchase Contract and appraised value as they are receiving points in the rating and ranking process for this match.

All appraisal expenses in compliance with these Standards & Procedures are eligible under planning and implementation, and are reimbursable in accordance with the OPWC participation ratio. The list of approved ODOT appraisers can be found on the OPWC website on the Project tab under "Project Application". Again, the selected appraiser must be credentialed in value analysis. The list denotes those individuals as well as those credentialed in appraisal review.

Life Estate

Life estates are permitted in which the original landowner (seller) has occupancy rights limited to their lifetime (referred to as the "life tenant"). For appraisal purposes the life estate is comprised of the 1) interest held by the life tenant, and 2) the interest held by the remainderman (a future interest entitling the acquiring party to the estate after the prior estate or interest has expired).

Timber Value

If a property is dominated by quality trees, saw timber value may be taken into account. A qualified forester or appraiser can determine if a property possesses saw timber value based on how long since the last harvest and the type of harvest that took place. Determinations of saw timber value consider the volume of timber on the property, the species composition, the current market (stumpage value), and other related factors.

The OPWC recommends using an individual certified by the Association of Consulting Foresters of America, Inc. (ACF) or the Society of American Foresters (SAF). Both associations have online search queries. ACF is http://www.acfforesters.org/ACFWeb/Directory/ACFWeb/Find_a_Forester/Directory.aspx. SAF provides a search query of private consulting foresters at <http://www.osafdirectory.com/> which includes identification of SAF certified foresters and lists the services they provide including evaluations and appraisals.

If using saw timber value, it is the grant recipient's responsibility to provide this information to the property/land appraiser (and appraisal reviewer if applicable). The appraiser is responsible for determining the impact of the saw timber value on the overall property/land value appraisal.