DNR Supplemental Appraisal and Appraisal Review Guidelines

Division of Lands and Minerals

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INTRODUCTION

The Department of Natural Resources (DNR) produces its own appraisal guidelines to supplement the appraisal requirements of USPAP and UASFLA to obtain appraisals that comply with those standards and meet the agency's administrative needs. These guidelines are not intended to be used as appraisal standards. These guidelines do, however, outline certain procedural and appraisal reporting requirements that appraisers and reviewers must observe when completing appraisals for MN DNR Appraisal Management Unit (AMU) or partner agencies that require AMU's services. AMU recognizes that USPAP and UASFLA are living documents and that they are periodically modified. AMU strives to maintain consistency with USPAP and UASFLA and may adjust requirements to reflect those standards if changes affect these guidelines.

APPRAISER/REVIEWER QUALIFICATIONS

Appraiser Qualifications

1. Appraisers must be licensed with the State of Minnesota as a Certified General Appraiser in good standing.
2. Current license requirements can be found by contacting the Minnesota Department of Commerce.
3. Appraisers must meet the Competency Provision of USPAP for each assignment.

Review Appraiser Qualifications

1. Reviewer must be licensed with the State of Minnesota as a Certified General Appraiser in good standing.
2. Reviewer must meet the Competency Provision of USPAP for each assignment.

GENERAL APPRAISAL STANDARDS

Uniform Standards of Professional Appraisal Practice (USPAP)

DNR requires that all appraisal and appraisal review reports prepared for DNR or partner organizations applying for grant reimbursement must, at a minimum, comply with the most current version of the Uniform Standards of Professional Appraisal Practice (USPAP) as published by the Appraisal Foundation and adhere to Minnesota statutes. Appraisers should be accustomed to using USPAP and be familiar with the advisory opinions issued by the Appraisal Foundation on topics related to DNR appraisals and appraisal needs.

Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA)

DNR appraisal assignments may require adherence to Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) when Federal funding is available for acquisitions. Appraisers who accept UASFLA assignments should be competent to appraise properties and deliver reports consistent with the UASFLA and be able to tailor their appraisals to those standards. These guidelines frequently refer to UASFLA for application of appropriate methodology in appraising complex properties. Appraiser's must rely on the most current version of UASFLA.

Minnesota Standards of Conduct and Contract Compliance

Appraiser must abide by the Minnesota Standards of Conduct Statute 82B and the DNR contract under which the work order is issued.

STATUTORY AND DNR-SPECIFIC REQUIREMENTS

DNR Appraisal and DNR Appraisal Reviews are Confidential Data

Appraisers contracted to perform appraisal or appraisal review services for DNR or partner organizations must closely observe confidential practices as outlined in the Ethics Rule of USPAP. Appraisers and reviewers are often privy to sensitive data related to private property ownership. It is not the appraiser's information to divulge to parties other than the client and/or intended users of the appraisal assignment. Appraisers must guard and protect sensitive data or information in their possession. **Disclosure of sensitive information to unauthorized parties may result in the termination of an appraiser's contract with DNR.** The appraiser may request approval from AMU to divulge information and AMU will take appropriate measures to ensure that information is properly disseminated.

Note on use of Generative Artificial Intelligence (AI): Under no circumstance shall an appraiser upload personal data of owners or property specific data of a subject property to an open artificial intelligence (AI) platform. Control of data uploaded to an open AI platform is not guaranteed. Data may be disseminated and/or analyzed in ways that compromise a private party, partner organization or the State.

Grant Appraisals will be considered confidential (protected non-public data) by the DNR. This appraisal data shall only be released to the grant recipient and DNR Grant Coordinator. This data shall not be released to any other individual outside of the Lands and Minerals Appraisal Management Unit (AMU).

Conflict of Interest

Staff and fee appraisers and reviewers must disqualify themselves from assignments on properties where there is a personal or business relationship in the property to be appraised or reviewed, or if they are unable to otherwise perform their duties impartially.

Landowner Appraisal – DNR and Partner Acquisitions

In DNR and partner land acquisitions, the property owner (seller) has a right to obtain their own appraisal by a qualified, independent appraiser and shall be given the opportunity to obtain one when the acquisition process is initiated. If the property owner chooses to obtain their own appraisal, the project manager will coordinate the appraisal with DNR's appraisal, so both are dated and submitted to AMU **within 15 calendar days** of one another. If the landowner submits an appraisal, DNR's appraisal and the landowner's appraisal shall be reviewed together in a divergency review. For more information refer to the Types of Appraisal Projects Section of these Guidelines.

Need to Remedy Deficiencies

All appraisals will be technically or administratively reviewed. The assigned appraiser has the responsibility to work with the reviewer to remedy deficiencies in a timely manner. This responsibility is part of the Appraisal Assignment, and the contractor should take into consideration when bidding on a project.

Extraordinary Assumptions and Hypothetical Conditions

Any "extraordinary assumption" or "hypothetical condition" developed as a part of the appraisal project must be discussed with the Appraisal Unit Supervisor, and preapproved, before they are used in the final report. There are only two exceptions to this rule:

1. If the transaction involves a Land Trust appraisal, the property must be valued as though DNR is purchasing it directly from the landowner. The appraiser must include this as a "hypothetical condition" in the appraisal.
2. If the transaction involves a Conservation Easement valuation, the appraiser must assume a "hypothetical condition" in the after-valuation perspective – that the property is encumbered with the easement.

When using a "hypothetical condition" or "extraordinary assumption," the report must state that their use might have affected the assignment results. All hypothetical conditions and extraordinary assumptions approved by the DNR Appraisal Unit need to be made true or occur prior to closing. Approval correspondence from AMU must be included in the appraisal's Addenda.

Landowner Bill of Rights - LOBR Waivers by Nonprofit Organizations or Government Entities

When the landowner is a non-profit organization or a unit of government, the DNR and the landowner may enter into a mutual agreement to waive all or some of the provisions identified in the Landowner's Bill of Rights law. Both the DNR and a nonprofit or government entity landowner both need to agree on any waivers. With respect to contract appraisal assignments, such a waiver may include the requirement for the appraiser to physically inspect the property, or the requirement to give the landowner an opportunity to accompany the appraiser during the property inspection, or the length of time during which the DNR is to strive to acquire the property. The appraiser will be advised of any waiver of rights by the landowner that may affect the scope of work or analysis.

Potentially Contaminated Property Appraisal or Environmental Nuisances

If the appraiser observes potential contamination on the subject property that has not previously been noted, they should photograph any areas of suspected contamination or environmental nuisance (if possible) and must notify the Appraisal Unit Supervisor, Grant Project Manager, or Partner of anything discovered either in on-site inspections or in background research. If contamination is suspected, a Phase 1 review may be required. If appropriate, based on the findings of the Phase 1, a Phase 2 review may be required.

The Appraisal Unit Supervisor will direct the Appraiser to value the property in one of two ways:

1. Appraise the property as though the concern were removed (hypothetical condition), which would require the landowner to clean up prior to closing.
2. Appraise the property as is and consider any market impact.
    a. If the appraiser determines any improvements are a safety hazard, a cost to cure will need to be obtained, considered, and included in the addendum of the report. The appraiser will rely on the

findings and opinions of qualified specialists in environmental remediation and compliance cost estimations. Copies of estimates should be included in the addendum of the report.

b. In the event there are environmental nuisances that are not considered a safety hazard, written acknowledgement from acquiring division must be obtained and included in the Property Information Packet.

Shelf Life

The longevity of an appraisal report is contingent on the volatility of the real estate markets in the vicinity of the subject property. It is DNR policy to seek a new or updated appraisal whenever a report is more than twelve months old. The DNR or Grant Recipient may choose to require an update sooner.

1. For any appraisal report that is more than one year old, the Appraisal Unit Supervisor may contact the original appraiser and consult with him/her on whether an update is called for by the prevailing market conditions.
2. If an update is deemed necessary, the appraiser should be assigned to provide the appropriate report and documentation (in accordance with contract).

Property Information Packets and Forms (PIPs and PIFs)

A property information packet must be provided to the appraiser by the Client. For DNR projects the Client should be "MN DNR Appraisal Management Unit". This is for both DNR projects and Partner projects. Information is deemed reliable, although it is the appraiser's or reviewer's responsibility to bid the project understanding that the information is not guaranteed and requires independent verification. At a minimum, the PIP or PIF should include the following:

1. Rights to be acquired (i.e., fee, conservation easement)
2. Applicable appraisal standards (USPAP/UASFLA)
3. Total or partial acquisition
4. Identify acquisition (by legal description and/or by plat or reliable demarcation on a map)
5. Size of total contiguous ownership and area to be acquired or encumbered.
6. Purpose, intended use/user.
7. Hypothetical conditions/Extraordinary assumptions
9. Identification of existing and/or proposed legal access and physical access.
10. Leases, licensing agreements and contracts (i.e., farm and hunting leases, timber, CRP, etc.)
11. Building and/or site improvement

Changes in Assignment

1. If changes to the assignment are necessary after the work has begun, the appraiser shall stop all work and contact the Appraisal Management Unit Supervisor immediately. Upon written request of the appraiser, appraisal instructions can be amended if necessary.

2. An amendment to the assignment fee will be considered if the proposed changes are necessary to produce credible results. This will occur ONLY upon pre-approved written request by the appraiser, therefore, it is important to contact the Appraisal Management Unit Supervisor before beginning any work not specified in the assignment instructions, for which the appraiser wants to be paid.

Appraisal Update Policy

The DNR or the Client organization may require an update to a previously completed appraisal. Changes in market conditions, changes to the subject property, or a need to change the scope of work may prompt an update.

"Updating" an appraisal is a business term, but under USPAP, an update is a **"new assignment"** which does not involve rewriting the entire report. The update becomes an attachment to the original appraisal. The nature of the content which needs to be "updated" in an appraisal update will vary depending upon what DNR or the client organization requires in the assignment, whether there are changes in the market since the original appraisal, or whether there have been any significant changes on the subject property itself since the original appraisal. The appraiser shall determine the appropriate "scope of work" necessary to complete the update (new assignment). It is possible for the appraiser to conclude that there has been no change in the value. It is also possible for an appraiser to perform an update on an appraisal completed by another appraiser. Under this circumstance, the appraiser may be required to adopt and accept responsibility for the content of the original appraisal.

The following apply to appraisal updates:

1. The appraiser should consult USPAP Advisory Opinion 3 (AO-3) for guidance on appraisal development and reporting.
2. When revising a completed report, the report date and certification date must be current.
3. The update shall include, at minimum, the following items:
   a) Letter of transmittal that explains the need for the update and its relationship to the original appraisal.
   b) The letter of transmittal must reference the original appraisal's date, effective date of value and value conclusion.
   c) Statement that the update becomes an attachment to the original report (if applicable)
   d) Updated scope of work
   e) Explanation of any changes in market condition since original appraisal (if applicable)
   f) Explanation of any changes in subject property since original appraisal (if applicable)
   g) Update of any section of the report pertinent to the changes identified.
   h) Any other relevant information pertinent to the update, especially that related to additional comparable sales searches or other market value analyses.
   i) DNR Summary (needed only if there is a change in value or effective date).
   j) DNR Certification (needed only if there is a change in value or effective date).

Other Communications

1. DNR contract appraisers should not communicate with any DNR staff person except for Appraisal Management Unit staff unless authorized. If contacted by other DNR staff for any reason, the appraiser should refer that staff person to the Appraisal Management Unit. The appraiser should then notify the AMU of the contact so that we may do the appropriate follow up.
2. The appraiser is required to contact the landowner or their designated representative to offer him or her the opportunity to accompany the appraiser on his or her site inspection. If the landowner indicates information that differs from the appraiser's instructions and other written documentation, the appraiser shall contact the Appraisal Management Unit immediately.
3. The appraiser is not authorized or required to work on the project once the assignment is complete. If the appraiser is contacted by a party outside AMU to discuss the assignment, refer the inquiry to the Appraisal Management Unit.
4. Appraised value data may be non-public data. The appraiser or reviewer shall not release value data to any individual outside of the Appraisal Management Unit without the approval of the Lands and Minerals Director or Assistant Director.

Performance

1. Failure to provide documentation or support for appraisal opinions in accordance with appropriate standards will require the appraiser to further substantiate the report at no additional cost to the State.
2. All assignments are time-sensitive projects. The report must be received by the due date, or the assignment is subject to cancellation for non-performance. Any changes in the timeline must be communicated with and approved by the Appraisal Unit Supervisor.
3. Unsatisfactory contractor performance will be documented in a Contractor Performance Report, which becomes part of the contractor's file. Contract performance issues can result in termination of the contract.

Invasive Species

If a property has been identified as a property with invasive species, the appraiser shall observe the following precautions:

1. Brush off dirt and debris and dump out pant cuffs before entering or exiting the property.
2. Before leaving for the field and/or entering a property, walk around and visually inspect for and remove caked mud, dirt clods, plants and plant parts, bark and debris. Power washing is recommended but not required.
3. Avoid moving through existing patches of invasive species going to and from the property. Before leaving the property, walk around and visually inspect for and remove caked mud, dirt clods, plants and plant parts, bark, and debris.
4. Brush, sweep, wash or remove by hand plants, seeds, mud, soil and animals from vehicles and equipment including wheel wells, tracks, hubs, blades, grills, etc.

5. Before leaving an aquatic property (or water source), drain water from any equipment, tanks, or water-retaining components.

TYPES OF APPRAISAL PROJECTS

DNR Ordered Appraisal

1. The DNR orders appraisals to meet statutory and program requirements.
2. All appraisals ordered by DNR must comply with USPAP and utilize the DNR Supplemental Appraisal and Appraisal Review Guidelines. When Federal funding is available, or when otherwise instructed, the appraisal must conform to UASFLA.
3. The Appraisal Unit Supervisor is the contact for appraisal-related questions.
4. The Client should be listed as "MN DNR Appraisal Management Unit".

Landowner Appraisal (Acquisition Projects Only)

1. The landowner has a right to retain a qualified independent appraiser to conduct an appraisal. The Appraisal Management Unit must receive the landowner's appraisal prior to the review and certification of the state's appraisal. If the landowner chooses to obtain an appraisal, the two appraisals should be made concurrently, and the project manager will coordinate timing, so the appraisals are received within 15 calendar days of each other. Both appraisals will be reviewed together in a divergency review.
2. Grant partners should coordinate appraisals to be dated and submitted within 15 calendar days of one another. The landowner must decide to retain an appraiser before the grant partner's appraisal results are shared with the landowner. If both parties obtain an appraisal, the grant partner may not share its appraisal results with the landowner until both appraisals have been submitted to AMU. DNR will not review a landowner's appraisal if the grant partner's appraisal results have been disclosed to the landowner.
3. Such appraisal reports must only comply with Uniform Standards of Professional Appraisal Practice (USPAP). It is not required that the landowner's appraisal be written to DNR Supplemental Guidelines, however, AMU will provide the same property information packet to the landowner to provide to their appraiser.
4. The landowner should ask their appraiser to name the DNR as an intended user in the report. The landowner should be advised of the appraisal standards required to meet funding objectives.
5. In cases where the landowner is the client, the appraiser's contact for appraisal-related questions is the landowner or authorized representative. The DNR Appraisal Unit Supervisor is also available as a resource.

Land Trust Appraisal (DNR Acquisition Projects Only)

The following are specific requirements for Land Trust Appraisals that will be deeded to DNR. These appraisals must comply with USPAP and utilize the DNR Supplemental Appraisal and Appraisal Review Guidelines and comply with UASFLA (when applicable).

1. The DNR may agree in writing to proceed with a Land Trust appraisal transaction for the DNR's potential purchase of a property from a non-profit or governmental organization.

2. This type of project will be identified by a written Causation Letter between the DNR and the Partner.
3. The Land Trust must have been issued a Land Trust Causation Letter from the DNR prior to the appraisal, this letter should be included in the addendum of the appraisal report.
4. The appraiser should be made aware that the DNR will be reviewing the report and must agree to work with the reviewer as needed.
5. The appraiser must analyze and report all agreements of sale, options, or listings of the subject property as of the effective date of the appraisal and provide copies in the addendum of the report.
6. Unless otherwise stated, the property must be valued as though the state is purchasing it directly from the landowner. The appraiser must include this as a "hypothetical condition" in the appraisal.
7. The Land Trust's written appraisal instructions must be included in the addendum of the appraisal report. The appraiser will also make note of any verbal instructions and provide.

Grant Appraisal (Acquisition Projects Only)

The following are specific requirements for Grant Appraisals; they must also comply with USPAP and the DNR Supplemental Appraisal and Appraisal Review Guidelines.

1. This type of project will be identified by a Grant Agreement between the State of Minnesota and the grant recipient.
2. Specific Appraisal and Appraisal Review instructions are listed on Attachment E as provided by the grant recipient's grant administrator.
3. For such appraisals, the contact for appraisal-related questions is the Grant Recipient Project Manager unless the guidelines direct the appraiser to the DNR Appraisal Unit Supervisor.
4. The appraisal guidelines provide information on uniform requirements for all DNR grant programs that fund land acquisition projects. The appraiser will keep in mind they are designed to ensure fairness, and protect the interests of landowners, grant recipients and the taxpayers of Minnesota.
5. The intended use of grant appraisals shall include negotiation and grant reimbursement.
6. The intended user is the grant administrator and the State of Minnesota.
7. The appraiser should be made aware that the DNR may be reviewing the report and must agree to work with the reviewer as needed.
8. The appraiser must analyze and report all agreements of sale, options, or listings of the subject property as of the effective date of the appraisal and provide copies in the addendum of the report.
9. Unless otherwise stated, the property must be valued as though the DNR is purchasing it directly from the landowner. The appraiser must include this as a "hypothetical condition" in the appraisal.
10. The appraisal instructions must be included in the addendum of the report. The appraiser will also make note of any verbal instructions.
11. There are occasions when land trust partners order an appraisal in a consulting capacity to assists in determining the feasibility or potential cost of an acquisition. The assignment may change with fewer or additional acres, additional users, etc. before an appraisal is submitted to DNR. The appraiser should disclose the evolution of the appraisal assignment in the scope of work of the appraisal submitted to DNR and give appropriately consider if these are separate appraisal assignments.

TYPES OF APPRAISAL REPORTS

The appropriate reporting option and level of information necessary in the report are dependent on the intended use and intended users. Applicable appraisal standards, the complexity, funding, and property type help the Appraisal Management Unit determine the desired level of detail required.

Restricted Report

The DNR does not use or accept restricted appraisal reports.

Appraisal Report

All appraisals prepared for DNR use shall, at a minimum, conform to Uniform Standards for Professional Appraisal Practice (USPAP). Standard 2 provides guidance for appraisal reporting. Appraisers should refer to Standards Rule 2-1 and 2-2 for reporting guidance and required report content, respectively. Standards Rule 2-3 addresses appraisal certification content, which is integrated with required certification content in this document. In addition, DNR requires certain specific content to be included in every appraisal, which is described below.

The reporting format is determined by the project complexity and level of detail needed to communicate the appraisal problem, analysis, and results. The level of detail included in an appraisal report should be guided by two factors: the appraisal standards to which the assignment is required, and the assignment's complexity. Appraisal reports should be written to a level that allows the reader/intended user to follow and comprehend the appraiser's reasoning and analyses. Below are some general guidelines the AMU uses to determine the level of detail required in reporting. Appraisers should keep in mind that even though appraisal data may be protected, there may be a time when it is made public data. Additionally, AMU may not be the final user of the appraisal at DNR. Project managers, division and agency management, and even legislators may eventually view the appraisal. Clear, thoughtful communication of the appraisal is always good practice.

1. The following situations that may allow a lower level of detail in a report:
   a) The appraisal does not require a partial acquisition.
   b) The appraisal problem is not complicated or confusing.
   c) The appraisal involves unimproved land or only very minor improvements.
   d) Highest and Best Use is not a matter of contention or a subject requiring extensive discussion.
   e) Federal Standards (UASFLA) are not required.

2. A more detailed report is appropriate when:
   a) The appraisal problem is so complex or obscure that a more detailed report is required to clearly and accurately communicate the whole of the appraisal process.
   b) Improvements are significant and a part of the acquisition.
      Note: there are occasions when an acquisition does not affect the improvements and inclusion of those improvements may unnecessarily complicate a before/after valuation. Appraiser's may choose to appraise the land value only, if it is clearly demonstrable that the improvements are not

materially impacted by the acquisition. The appraiser should consult with AMU staff and/or the reviewer on this matter.

c) Highest and Best Use is a matter of contention or a subject requiring extensive discussion.
d) The analysis calls for a before-and after approach to valuation, which does not lend itself to concise reporting.
e) Highest and Best Use of the remainder changes and its valuation cannot be clearly and accurately communicated with concise reporting.
f) Damages, if any, are not explainable without extensive discussion.
g) The appraisal required compliance with the Uniform Appraisal Standards for Federal Land Acquisitions.
h) The highest and best use determination is for subdivision.

When Federal funding opportunities are available and an appraisal may be reviewed by a Federal agency, DNR will order appraisals that are required to be written in conformity with Interagency Land Acquisition Conference's Uniform Appraisal Standards for Federal Land Acquisitions, 6th Edition (UASFLA/Yellow Book). UASFLA adopts most USPAP guidelines, and exceeds those requirements, offering detailed instructions and requirements for reporting. Section 2.3 of UASFLA provides specific content requirements that should be included in each appraisal report written to that standard. DNR encourages appraisers to use UASFLA as a reporting guideline for all appraisals.

Minimal Value Reports

Land Acquisitions and Exchanges (as allowed under statute 84.0272 Subd. 3)

The acquisition or exchange of land can be accomplished without an appraisal from an appraiser. These valuations are conducted by designated DNR Division of Lands and Minerals staff. The minimum value threshold for each type of transaction is identified in the statute. The following criteria apply:

1. The acquisition or exchange must not involve federal funding.
2. The landowner must waive his/her right to an appraisal under the Landowner's Bill of Rights.
3. The valuation will be based on the following information:
   a) The most recent accessed market value of the land or interests in the land, as determined by the County Assessor in the county in which the land is located (plus 10 percent for acquisition projects).
   b) A recent sales price (within the past year) of the land or interests in land.
   c) Sale prices of comparable DNR land sales or acquisitions of interests in land located in the vicinity and sold within the past year.
   d) An appraisal of the land or interests conducted within the past year.
4. The report is prepared according to current DNR Division of Lands and Minerals policy on Minimal Valuations.

Land Sales (as allowed under statutes 92.115 and 94.10)

The sale of land can be accomplished without an appraisal from a licensed appraiser. These valuations are conducted by designated DNR Division of Lands and Minerals staff. The minimum value threshold for each type of transaction is identified in the statute. The following criteria apply:

1. The sale parcel must not have been acquired with bonding dollars.
2. The valuation will be based on the following information:
   a) The most recent accessed market value of the land or interests in the land, as determined by the County Assessor in the county in which the land is located in.
   b) Sale prices of comparable DNR land sales or acquisitions of interests in land located in the vicinity and sold within the past year.
   c) The AMU Supervisor will request comparable sales research from the Division of Lands and Minerals Regional Supervisor.
3. The report is prepared according to current DNR Division of Lands and Minerals policy on Minimal Valuations.

Required Number of Appraisals

When two appraisals are conducted, they will be conducted simultaneously. The following situations may require two appraisals. This will apply to DNR and partner organizations according to Attachment E.

1. A second DNR appraisal or partner organization appraisal may be required based on high value. Depending on the potential value and/or complexity of the assignment, it shall be at the Appraisal Unit's and Assistant Director's discretion to require more than one appraisal. The Client will closely consult with AMU in developing the scope of the assignment and instructions.
2. A second DNR appraisal or partner organization appraisal may be required based on complexity of the assignment, as approved by the DNR Grants Unit, DNR Appraisal Management Unit Supervisor, Director, or an Assistant Director of the Division of Lands & Minerals.
3. A second appraisal may be required/requested by the acquiring DNR division.
4. A second appraisal may be required to meet any requirements for grants or Land Trust Projects.

High Value Acquisition Appraisals

There are occasions DNR and/or partner organizations have the opportunity to purchase large tracts of land or high value properties. DNR may require two appraisals to be submitted for acquisitions of $10 million or more. This will be required at the discretion of the Appraisal Unit Supervisor and/or Assistant Director. However, it may not be known if the value will exceed $10 million. In such situations, the acquiring division and/or partner should consult with the Appraisal Unit Supervisor for direction. In such circumstances, the Supervisor may require two appraisals be obtained. Additionally, the acquiring entity should also work closely with the Appraisal Unit Supervisor to develop and write the assignment scope and appraisal instructions.

Appraisals should be contracted simultaneously, and work shall occur concurrently. The appraisal completion deadline shall be the same for each appraisal **and the same instructions shall be furnished to each appraiser**. **Appraisals should be coordinated so completion of each can occur within 15 calendar days.** If necessary, the Appraisal Unit Supervisor may assign a review appraiser at the same time to consult with the appraisers throughout the appraisal process. The appraisals will be reviewed as a Divergency assignment.

APPRAISAL AND REVIEW ASSIGNMENT PROCESS

The DNR employs fee appraisers as required from an approved Master Contract list.

Assignment Process

1. The DNR typically assigns the appraiser and reviewer to a project in two steps.
2. The Appraisal Unit Supervisor selects qualified fee appraisers from the approved Master Contract list.
3. Bids are requested from appraisers on the Master Contract List based on their general competencies, the appraiser's timeliness on previous projects, and the contractor's stated geographical competency areas.
4. Selection of an appraiser is based on bids, subject to the approval of the Assistant Director of the Division of Lands and Minerals.
5. Appraisals and Reviews are assigned to a specific appraiser within a firm. Contracts and assignments are with individual appraisers and not the firm or business with which they are associated.
6. The Appraisal Management Unit will notify the selected appraiser of the assignment after the work order has been encumbered.
7. A work order with appraisal instructions will be emailed to the appraiser. The appraiser is not authorized to begin work on the project until the Appraisal Management Unit has received the executed assignment work order, and the Appraisal Management Unit has provided written authorization for the appraiser to begin work.
8. Appraisers and Review Appraisers should contact the Appraisal Management Unit Supervisor if they have any questions before beginning the assignment, and as they move through the appraisal or appraisal review process.

Accountability of Assigned Appraiser

The appraiser contracted by the DNR is the appraiser we expect will be responsible for the appraisal. The following applies:

1. If the appraisal is delegated to a junior member of an appraisal firm's staff, the assigned appraiser must be willing to take responsibility for all the information contained in that appraisal through a written certification. The appraisal may be signed by more than one individual, but the assigned appraiser bears responsibility for the content of the appraisal. Additionally, the appraisal certification must assign credit to all individuals making significant contributions to the appraisal. Refer to USPAP Advisory Opinion 31.
2. The assigned appraiser must make all required field inspections.
3. The assigned appraiser has the responsibility to work with the reviewer to remedy deficiencies. Any review corrections will be discussed with the assigned appraiser.

Physical Inspection of Appraised and Comparable Properties

1. The appraiser under contract must physically inspect the subject. A systematic, on-the-ground site inspection is essential.

2. The landowner must be given an opportunity to accompany the assigned appraiser on the inspection and this must be documented on the DNR Certification. Refer to MN Statutes 84.0274, Subd. 5 (d).
3. Field inspection and on-the-ground photographs of the appraised and comparable properties are required by the assigned appraiser.
4. In the event the property is landlocked and/or legal access cannot be obtained, the appraiser is required to request to conduct some other form of current inspection (i.e., flyover, drone, etc.). USPAP does require the report to include a certification that indicates whether or not the subject property was personally inspected by the appraiser.
5. Unusual circumstances that make aerial inspections more appropriate must be pre-approved by the Appraisal Unit Supervisor.
6. The appraiser must request in writing any waiver of the comparable sales inspection requirement, and the waiver must be supplied by the Appraisal Unit Supervisor in writing.

APRAISAL DEVELOPMENT

At a minimum, all appraisals prepared for DNR use must conform to USPAP and conform to Standards 1 and 2 for appraisal development and reporting. Since DNR is a State agency, acquisitions of real property from private parties, non-profit organizations or other government entities are subject to the principles of just compensation. As such, DNR requires application of sound appraisal practices to ensure property owners receive fair compensation for their property and maintain the highest level of accountability to Minnesota taxpayers. While not all DNR appraisal assignments require strict application of federal standards (UASFLA), appraisers should rely on UASFLA as a guide for appraisal development. DNR frequently encounters challenging appraisal assignments where USPAP offers limited appraisal insight. UASFLA, however, is designed to address complex appraisal problems for compensatory purposes.

Even if only USPAP standards are required, the following are additional mandatory appraisal development considerations and should be part of each appraisal's scope.

1. The appraiser must develop a larger parcel analysis and conclusion for all DNR appraisals. The analysis shall consider the subject property's common ownership, contiguity, and any unified highest and best use with other properties under common ownership. The appraisal should include a larger parcel analysis for each valuation scenario, including the before scenario and after scenario of a partial acquisition appraisal.
2. It is imperative that the larger parcel analysis is consistently integrated with the highest and best use analysis.
3. All appraisals must contain a ten-year sales history of the subject property and a corresponding analysis of any transactions.
4. All appraisals must consider the subject property's mineral/aggregate production potential.
5. DNR appraisals shall utilize the UASFLA definition of market value. Since this definition is applied to appraisals that are not written to UASFLA, DNR considers it the appraiser's decision to invoke a Jurisdictional Exception regarding omission of an estimated exposure time.
6. Unless otherwise specified by the client or AMU, appraisers shall estimate the value of the fee interest acquisitions based on the market value of the property as of the date of the inspection, subject to existing encumbrances.
7. Unless otherwise specified by the client or AMU, Appraisers shall estimate compensation for acquisitions of partial interests in a property as of the date of inspection based on the fee simple interest of the property, subject to existing easements and encumbrances, considering a before and after methodology.

APPRAISAL GUIDANCE

Conservation Program Encumbrances

Appraisers must identify subject properties that are encumbered with existing easements and/or contracts such as SFIA, CRP, NPB, CREP, RIM, WRP, etc., and describe the terms and conditions of payments made under those programs, if any. The appraiser shall determine the estimated market value of the property presuming that any payments remaining in the current contract will be transferred to the buyer. The appraisal should consider the impact of such encumbrances and/or contracts on the subject property's market value. The sales comparison approach should rely on sales of land that are similarly encumbered. If similarly encumbered sales are not available, the appraiser should rely on relevant data extracted from market transactions to support appropriate adjustments. Appraisers must present supporting data and an explanation of their rationale in the appraisal report.

Copies of all contracts shall be included in the Addendum to the appraisal report.

Public Interest Value

The DNR's policy on "public interest value" has been established in accordance with the Federal government's policy. 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 an appropriate use upon which to estimate market value. Such an estimate is, therefore, not in conformance with the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA). The Department has adopted this position on Public Interest Value for all DNR appraisals, not just Federal ones, as state law does not allow us to value land for anything but fair market value.

Application of Cost Approach

The Cost Approach is typically used to estimate the depreciated value of improved properties. It is most useful as a method of appraising properties with newer improvements when reliable cost data is available and for appraising properties with unique improvement when sales of similarly improved properties are not available. It is often a helpful method in appraisal of rural and agricultural properties where improvements are unique, or specific to operations of a property and are not the primary contributor of value.

Most properties involved in DNR related acquisitions or exchanges are land intensive, meaning the properties' values are driven by land and they are minimally developed with buildings or other improvements. As such, the sales comparison approach is preferred. The cost approach is an acceptable method of appraising properties, when it is necessary to estimate the contributory value of certain building and other improvements or adjust for those contributory structures to the value of the land being appraised. Sales of rural land frequently include some improvements with minimal contributory value, and improvements should be evaluated. Consequently, it is necessary to blend techniques borrowed from the cost approach into the sales approach. For example, large tracts of land with specific improvements to a farm operation may require adjustments for those improvements, and techniques from the cost approach may be applied to the adjustment process. On the other hand, the cost

approach is developed by adding the value of the underlying land with the depreciated value of the improvements. Therefore, comparable land sales in the cost approach must be vacant and represent the subject as vacant land. It is imperative, however, that the appraiser clearly identify each approach in the appraisal and employ each approach according to accepted industry practices. Therefore, DNR accepts use of the cost approach, but preference is generally given to the sales approach. Particularly in rural appraisal, the two approaches are inherently related, and appraisers must apply them appropriately.

Cost data used in this approach must be extracted from market transactions, contractor invoices or estimates, or from an industry recognized cost data manual. Appraisers should only rely on cost manual data when other sources are not available. AMU views use of local assessor's value allocations as inadequate. Appraisers should only use assessor's allocations as a point of reference and/or check for the reasonableness of their own conclusions. Appraisers should use caution regarding the Unit Rule in developing the cost approach as described in UASFLA 1.5.3.1.4. The sum of the components of a property do not equal its value. Appraisers must apply methods that value the property as a whole. It is good practice to avoid reliance solely on the cost approach, as it is better used as an indication of various components contributory value to the whole.

Sales Comparison Approach – Qualitative and Quantitative Adjustments

Use of quantitative adjustments is the preferred method of adjusting comparable sales whenever adequate market data exists to support the adjustment. A quantitative adjustment relies on market derived, specific dollar or percent adjustments. When appropriate data is available, appraisers should utilize paired sales data to support quantitative adjustments. Other acceptable methods of supporting quantitative adjustments include aggregation of large sets of sales data where specific trends can be isolated and consensus among industry professionals the appraiser has directly interviewed. AMU discourages sole reliance on published market data that is not directly related to the subject property, but it may be sited for additional support.

Adjustments that cannot be reliably quantified are appropriately dealt with in qualitative analyses, for example superior, inferior, or similar. When applying qualitative adjustments, the appraiser must rely on and present the most relevant market data to demonstrate the validity of the adjustment. The appraiser should present the rationale for that adjustment. It is **not** acceptable to identify one's "experience" or unsupported opinion as the basis of a qualitative analysis. Use of additional comparable sales to meet this requirement may be necessary.

Appraisers should evaluate the available data for each method of adjustment and determine the most appropriate method for each respective element. Quantitative and qualitative methods can be used together within an analysis and are not necessarily mutually exclusive within the sales comparison approach.

Sales Comparison Approach-Use of 1031 Exchange Transactions as Comparable Data

1031 exchange transactions are often transactions made by motivated buyers seeking to minimize tax liability from previous sales. This can often lead buyers to purchase properties quickly and influence sales prices to accommodate very tight timelines required by law to reinvest funds. It is not uncommon that farm and other rural lands are purchased with funds from a 1031 Exchange. When using these transactions as a comparable sale, the appraiser should thoroughly investigate the transaction by interviewing a participant to the transaction

and directly question them about the effect of the 1031 funds on the sale price and include the outcome of that conversation in the appraisal report.

Sales Comparison Approach-Use of Government Sales and Quasi-Government Sales as Comparable Data

Government and quasi-government sales are suspect as arm's-length transactions if the government has the ability to exercise eminent domain authority. Government sales are best avoided, but if it is necessary to consider such government sales, they require extraordinary verification as described in UASFLA 1.5.2.4. Appraiser must have discussions with both the buyer and seller to have a complete understanding of the negotiations and the basis of purchase price to make sure that the transaction was completed without duress and fully represents a market value transaction. If the basis of the transaction was an appraisal, the report should be reviewed by the appraiser to confirm the reliability of the transaction as an arms-length transaction. The outcome of that conversation should be included in the appraisal report.

Valuation of Properties encumbered with Life Estates or Term for Years Estates

1. The party who holds the right to use and occupy the property is called the life tenant or term tenant. The party who holds the remaining rights to is called remainderman.
2. Typically, the DNR is interested in the market value of the remainderman's interest. To estimate the value of the remainderman's interest, the following steps should be followed:
   a) Estimate the most likely time of death of the life tenant:
      i. Using actuarial tables
      ii. Or, in the event of a Term Estate, use the length of the term.
   b) Estimate the current market value of the property.
   c) Forecast the future value of the property at the end of the tenancy period.
   d) Discount the forecasted future value of the property to the present at the appropriate (market derived) discount rate.
3. If a life estate has already been reserved and a deed has conveyed the property to others, and the life estate is then conveyed or released (as a hypothetical condition) to the remainderman or extinguished due to death, the remainderman then owns the entire fee interest.

Appraising Undivided Partial Interests

The DNR does not assume the value attributable to the owners of a partial interest is in direct proportion to their ownership interest. Although the value of the whole may be equal to the sum of the separate estates, it also may be greater than or less than the sum of such estates of parts.

1. In most cases it will be necessary to value the whole property before analyzing the undivided interest.
2. The appraiser must then analyze actual sales data of properties that were sold with undivided interests.
3. The DNR has primarily relied on three different valuation techniques:
   a) Direct Sales Comparison. The appraiser would utilize direct sales of undivided interest sales to compare to the subject.

b) Analysis of undivided interest sales are compared to comparable full fee interest sales to determine if there are discounts that can be abstracted. Reconcile this information to your subject property.
c) A cost analysis of the partition cost and any related discounts.

Valuation of Access Issues Specific to DNR Acquisitions

When appraising properties for the DNR, the following access guidelines are provided:

1. If a property is landlocked, or lacking legal access, the property should be appraised "directly," that is, without use of a before/after analysis. Alternatively, if DNR is acquiring part of an ownership, whereby the acquisition area is accessed legally as a result of its relationship to the whole ownership, but the acquisition area alone will become landlocked, the acquisition should be appraised using a before/after analysis. Should these appraisal applications be complicated by additional circumstances, the appraiser shall consult with AMU.
2. Legally, cartways cannot be forced across state owned land and should not be considered.
3. Adverse possession cannot be obtained against state owned lands. The fact that there is an existing crossing across state lands does not mean that there is a legal right of access. However, if it can be shown that adverse possession was perfected before state ownership, adverse possession may be raised in the appraisal.
4. Determine if there is legal authorization to cross state lands, such as an easement or highway right-of-way.
5. State forestry roads do not represent legal public access.
6. A DNR lease authorizing access does not represent legal public access; the DNR is not a public road authority.
7. If the landowner is providing a written agreement that provides management access to the DNR, this right of access must be transferrable to subsequent landowners to be considered legal access for purposes of appraisal.
8. It should not be assumed that access easements across state lands will be issued by the DNR unless directed.
9. The DNR will not rely on an appraisal that does not accurately reflect the rights of access that are actually acquired.
10. If the appraiser is asked to appraise the property under the hypothetical condition that access is as defined, the appraiser is expected to analyze if the hypothetical access will meet the appraiser's highest and best use conclusion.
11. When appraising properties with unique access considerations, it is essential that the sales comparison approach relies on comparable sales with similar access. If representative sales are not available, the appraiser may use a "cost to cure" method. Any estimate of a cost to cure should be supported with comparable sales from the market.

Appraising Properties with Potential Aggregate (Sand or Gravel) Resources:

If the appraiser discovers that a subject property has a sand or gravel resource with potential market value, the appraiser should notify the Appraisal Unit Supervisor.

If there as an indication of value related to Industrial Silica Sand, also known as "frac sand," the appraiser must notify the Appraisal Unit Supervisor who will seek legal counsel to ascertain ownership rights as to that particular parcel. Sufficient title work must be conducted to determine appropriate ownership of the resource.

The Appraisal Unit Supervisor will direct the appraiser to appraise the property in one of two ways:

1. Appraise the property on the extraordinary assumption that there is no sand/gravel resources or potential for sand/gravel resource.
   a) Prior to appraising the property, the landowner will sign a waiver indicating they understand that the appraisal does not reflect any possible value related to the sand/gravel resource. Thus, they are not being compensated for this resource value, if any.
   b) This waiver method is not allowed for projects involving federal aid.
2. Appraise the property as is, relying on the estimations, findings and opinions of qualified specialists in sand/gravel resource assessment.
   a) The appraiser must consider the quality, quantity, and market demand for the resource.
   b) Copies of estimates and reports provided by others should be included in the addendum of the report.

Mineral Valuation

Mineral rights may be granted with or without surface ownership. In Minnesota, the severance of mineral rights is common. In most real estate transactions, the ownership of the mineral rights is not significantly relevant to the appraisal problem because there are not proven, or probable reserves located on the parcel. However, if the appraiser is aware of or is made aware of a mineral resource value, they should contact the Appraisal Unit Supervisor for further direction before proceeding.

Appraising Conservation Easements

1. The "substantially agreed upon" or final copy of the conservation easement must be provided to the appraiser. Changes in the document will require the appraiser be given an opportunity to consider and address any possible impact to the valuation.
2. If the DNR will be the holder of the conservation easement, the DNR must be involved in the drafting of the terms of the conservation easement.
3. All conservation easement appraisals will be based on the Before and After Methodology and will reflect compliance with the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), if UASFLA is not required.
4. Comparable sales in the after condition should be sales of properties that are similarly encumbered and have similar utility/appeal as the subject, if possible. For example, if the subject property is a tract of

land historically used for farming and located on the perimeter of the Twin Cities, sales of encumbered properties in remote areas of northern Minnesota are not considered appropriate comparable sales. While a broader geographical search for comparable sales may be necessary, comparable sale should have similar utility, appeal, access or marketability as the subject property. In the absence of appropriate comparable sales, the appraiser may choose to rely on a paired sales study (with multiple sales) to support an appropriate adjustment for the conservation easement in the after condition.

5. The appraiser must assume a hypothetical condition in the after value that the property is encumbered with the easement. This condition is approved.
6. The appraiser shall certify both the before and the after value on the current DNR Certification.
7. There are times when the landowner will require an appraisal to meet IRS requirements. An appraisal prepared to the DNR Guidelines IS NOT intended to meet IRS Guidelines.

Conservation Easements and Mineral Rights

If the DNR will be the holder of the conservation easement, the DNR will require language in the conservation easement that allows the state to exercise its mineral rights. It is common to find that the State of Minnesota already owns severed minerals on larger properties entering conservation easements. This is of concern because:

1. Minnesota Statutes, Sec. 84C.02(d) provides: An interest in real property in existence at the time a conservation easement is created is not impaired by it unless the owner of the interest is a party to the conservation easement or consents to it.
2. Many of the conservation easements include provisions prohibiting mineral exploration and mining.
3. The Federal income tax deductions code prohibits deduction if the minerals are retained by any person and surface mining is allowed or any method of mining is allowed inconsistent with the particular conservation purpose, unless:
   a) The minerals were severed prior to June 13, 1976, and the probability of removal of minerals by surface mining is so remote as to be negligible, or
   b) The minerals were severed after June 12, 1976, and surface mining is completely prohibited (26 CFR Sec. 1.170A-14(g)(4) (attached).

Timber Valuation Guidelines

Appraisers must value timber as a component of the overall value of a parcel of land. As with all other appraisals, the choice of proper comparable sales is the key in proper valuation of parcels with merchantable timber resources. However, in some cases, such as the appraisal of School Trust Fund lands, timber values must be also distilled from the overall land value. The following are suggested methods to approach the allocation of timber and land values in the appraisal process.

Preferred Method

The preferred method is to find comparable sales that reflect similar types of land, which are both timbered and non-timbered (cut-over timber lands are the most representative non-timbered parcels). Comparison of the sale

values of these similar land types should allow the appraiser to make a reasonable assumption of the contributory value of the timber resources. Adjustments may still have to be made for differences in timber quality, density and volume between the timbered comparable sales and the subject property. (Note: In many areas, because of the lack of well-informed buyers and sellers, the value of timber is not well reflected in sales of bare lands. The appraiser should take precautions to ascertain that the participants in the sales selected were knowledgeable in timber values.)

Secondary Method

In many cases, adequate comparable sales reflecting timber values are not available. In these situations, the appraiser will have to use the available comparable sales to develop a “base” level of timber coverage that will not affect the highest and best use. This is considered the minimum timber value and is taken as a part of the base land value. Any timber value over and above the base level is considered to be timber value only and can be separated from the base land value. Some factors to consider when developing the base timber level are aesthetics, use of proper timber harvesting methods, species composition, and the knowledge level of the buyers and sellers.

Across the Fence Valuation (ATF)

ATF is best applied when valuing a larger corridor (affecting multiple adjacent parcels), and the appraisal should consider an enhancement factor due to the assemblage. If it does not affect multiple adjoining properties, the parcel may be better appraised as a remnant or other economic unit

Funding Allocation

According to MN Statute 97A.056, Subd. 9 (a) states: Money appropriated from the outdoor heritage fund shall not be used to purchase any land in fee title or a permanent conservation easement if the state of Minnesota or a political subdivision of the state owns the land in fee or if the land is wholly or partially subject to a conservation easement (there are some exceptions to this paragraph). In these situations, the appraiser must value the whole and provides an allocation for acres and/or improvements.

APPRAISAL REPORTING REQUIREMENTS

Reporting requirements for DNR related appraisals closely follow the content requirements outlined in Section 2 of UASFLA and should include the following content. The depth of content is determined by the complexity of the appraisal problem. Appraisals should be written and communicated clearly so as not to misrepresent the subject property, analysis or conclusions.

Introduction

1. Title Page. Including date of report, effective date of appraisal, owner's name, project name and Project/Transaction numbers
2. Letter of Transmittal – The letter should specify applicable standards to which the appraisal is written, intended user and use of the appraisal as well as date of value and conclusion(s) of value.
3. Table of Contents
4. Current DNR Appraisal Certification
5. DNR Appraisal Summary Document
6. Date of Inspection
7. Statement of Assumptions and Limiting Conditions – Project specific (Boiler plate not appropriate).

Scope of Work

1. The appraisal must reflect the appropriate scope of work (type and extent of research and analyses), based on what is required to produce credible assignment results in the appraisal process.
2. Unacceptable assignment conditions are as follows:
   a) Appraisal must not allow assignment conditions to limit the scope of work to such a degree that assignment results are not credible in the context of the intended use.
3. Use of an extraordinary assumption or hypothetical condition outside those identified in this document must be pre-approved by the Appraisal Unit Supervisor and included in scope.
   a) Clearly identify client and intended user. For DNR projects the Client should be "MN DNR Appraisal Management Unit". The appraisal must identify DNR and any applicable federal agency as an intended user.
   b) Definition of market value and citation of the source of that definition
   c) Intended use of the appraisal
   d) Effective date of appraisal
   e) Subject property – defined by legal description. If legal description is not complete as of the date of the appraisal, the appraisal should be made subject to survey, and the most credible identifying data should be included.
   f) The real property interests being appraised. Appraisals prepared under DNR guidelines must be "as is" market value appraisals, unless otherwise approved by the Appraisal Unit Supervisor.
   g) Assignment conditions, including any "extraordinary assumptions" and/or "hypothetical conditions"
   h) If the appraisal follows UASFLA standards, it must apply the appropriate Jurisdictional Exception regarding marketing and exposure times.

4. The appraisal should describe the use of, and extent to which any Artificial Intelligence (AI) platform has been employed in the appraisal development and appraisal reporting if the appraiser has relied on such tools. The appraiser should take great care to verify that data has been used appropriately and is accurately described in the appraisal report and proofread the finished product thoroughly. A recommended disclosure statement is below. The statement should be modified to accurately reflect the extent to which these tools were used.

   "This appraisal was developed using generative Artificial Intelligence tools to aid in the research, analysis and/or reporting of the conclusions of this appraisal report. Specifically (Copilot, Gemini, Grok, ChatGPT, etc.) was used to assist with (market data organization, comparable sales screening, and trend analysis.) These tools are used to support the appraiser, but do not replace the appraiser's professional judgement. The appraiser has verified data generated by the model and is responsible for all content, conclusions, adjustments, and opinions stated in this appraisal report. No confidential or sensitive data has been shared to an open platform. This includes personal data, non-public subject property data and value conclusions."

Factual Data

1. Identify property by full legal description and by address or location (as appropriate: whole, acquisition and remainder).
   a) The legal descriptions, acreage estimates, scenarios for appraisal, and other facts contained in the property information packet are assumed to be correct. If the appraiser finds information to the contrary, he/she should notify the Appraisal Unit Supervisor immediately.
   b) When a DNR ordered appraisal is appraising a property subject to survey prior to closing, yet after the appraisal, the appraiser is required to provide the limited parameters (if any) in the letter of transmittal, by which the estimated market value may be administratively adjusted by the Appraisal Unit Supervisor if the survey identifies information that makes the acreage total different from the appraised acreage.
      i. The Appraisal Unit Supervisor may administratively adjust the appraised value of a subject property in which the appraiser has provided parameters by which the adjustment process can be completed.
      ii. If the administrative market value adjustment is determined to be inappropriate, or the change is beyond the indicated range provided in the cover letter, the Appraisal Unit Supervisor will contact the appraiser to establish the revised total property value.
   c) The appraiser will be asked to provide written documentation as to whether and how the change has affected the conclusion of value. This may require either a letter or an updated appraisal, which the appraiser decides. If the value changes, then a new certification will also be required.
2. Owner of record and ownership rights.
3. Photographs of the Subject Property (original on the ground photo prints or color copies in all copies of the report) taken by assigned appraiser.
4. Title Information. Provide ten-year transfer/sale history of subject, including copies of all pending contracts in the addendum of the report.

5. Include the Assessor's market value, taxes, and any assessments.
6. Describe improvements, physical characteristics, present use.
7. Zoning and future land use if it is relevant and may impact the property.
8. Deed restrictions.
9. Identify any portions of the property in Conservation Programs and describe the terms and conditions of the payments made under those programs. Unless directed otherwise, determine the estimated market value of the property presuming that any payments will be transferred to the purchaser of the property.
10. Describe present use of the property.
11. Identify encumbrances
12. Regional, neighborhood and market data
13. Summarize character of relevant area real estate markets.
14. Property Data – Include maps, diagrams, and sketches necessary to identify and understand the subject.

Data Analysis and Conclusions

1. Larger Parcel – The appraisal should provide a larger parcels analysis for each valuation scenario. Common ownership, contiguity and unified highest and best use of the commonly owned property should be analyzed and inform the larger parcel conclusion in each scenario. The appraisal should consider all relevant property under the same ownership. The larger parcel should reflect the appraiser's decision regarding what should be appraised to recommend compensation to the owner for the acquisition. The larger parcel may result in one or multiple parcels to be appraised. The larger parcel decision should be consistent with prevailing market sales in the area and supported by market evidence.
2. Highest and Best Use – While separate analyses, highest and best use conclusion is integrated with the larger parcel analysis and should be consistent with that decision and support it. A highest and best use analysis should include a conclusion of the highest and best use as vacant and, if applicable, as improved. The level of analysis and discussion in the appraisal should be commiserate with the complexity or difficulty of the highest best use problem.
3. Analysis of all agreements of sale, options, or listings of the subject property as of the effective date of the appraisal.
4. Describe each approach to value, explain and support the exclusion of any of the valuation approaches.
5. Value Estimate by the Sale Comparison Approach
6. Value Estimate by the Cost Approach (if appropriate)
7. Value Estimate by the Income Capitalization (if appropriate)
8. If an income approach (subdivision valuation) is considered, the appraiser shall also use a sales comparison approach which provides similar large tract comparable sales purchased for subdivision.
9. In appraisal reports that are not written to UASFLA, comparable sales, rental, cost and other data that forms the foundation of the subject property's value estimate should be verified and reported at a level commensurate with UASFLA appraisals. The reader should be able to easily locate and confirm data used and reported in the appraisal.

10. Data and analyses should be reported clearly and free of potentially significant errors and omissions, so the appraisal results are not misleading. Appraisal reports with substantial errors, omissions or misrepresentations are not acceptable work products.

Correlation, Reconciliation and Final Value Estimates

Reconcile indications of the approaches to value to a single value estimate. The appraisal should also provide rationale for that decision.

Exhibits and Addenda

1. DNR Certification
   a) The appraiser shall include the most recent DNR Appraiser Certification or a certification which addresses each of the state certificate components (certification can be found on the AMU page of the DNR Website).
   b) When more than one appraiser contributes to an appraisal assignment, each appraiser must submit a separate certification.
   c) The appraiser must provide a DNR Certification for each valuation scenario.
2. The value conclusion should be certified as a total property value.
3. DNR Appraisal Summary, as appropriate (summary can be found on the AMU page of the DNR Website).
4. On-the-ground photographs of subject and comparables taken by assigned appraiser
5. Exterior photos of all improvements
6. Interior photos of dwellings and commercial use buildings
7. Photographs of any observed environmental concerns
8. Location Map
9. Maps and Detail of Comparable Data – complete comparable sale data on the ground photos and maps, which allow easy identification and location of sales
10. Plot Plan (if appropriate)
11. Floor Plan sketch of dwellings and commercial-use buildings
12. Copies of deeds or other title documents including CRP/CREP contracts
13. Copy of pertinent section of the zoning ordinance
14. Other Pertinent Exhibits
15. Qualifications of Appraiser
16. Comparable Data Sheet Elements
17. Documentation of each comparable sale shall include the following information, which may be summarized for each sale on a comparable sales form and included in the report or in the addenda of the report.
    a) Name of buyer and seller
    b) Date of sale
    c) Legal description (this may be abbreviated if lengthy or reference by a tax parcel number)
    d) Type of sale instrument
    e) Document recording information

f) Price
g) Terms of sale
h) Location
i) Zoning
j) Present use
k) Highest and Best Use (intended use)
l) Brief physical description of the property
m) Photograph (on the ground)
n) Comparable sales map, showing the relative location of the comparable sales to the property under appraisal
o) Name of the person who confirmed the transaction (effort should be made to contact someone directly related to the transaction) and phone number to the party that confirmed the transaction.

18. Appraiser assignment instructions, including pre-work involvement
19. Landowner Disclosure

Partial-Taking Valuations and Before and After

1. For a partial acquisition, the appraiser must consider a before-and-after appraisal. The appraiser is responsible for identifying the larger parcel, and the analysis of how the larger parcel was defined.
2. The before-and-after method of valuation shall be used on partial acquisitions, except where it is obvious there is no damage or benefit to the remaining land or improvements. In these cases, the appraiser may appraise the land only and show values for the part taken.
3. When conducting a full before-and-after appraisal, any enhancement or diminution of the value of the property is captured in the appraisal process and is not calculated separately. Therefore, there is no independent calculation of severance damages.
4. When reporting the before-and-after process, it is recommended to avoid the use of the term “subject.” The report is more meaningful if terms such as “larger parcel,” “entire ownership,” “acquisition parcel,” and “remainder parcel” are utilized.

Appraisals with Partial Acquisitions and/or Multiple Scenarios

DNR and partner organizations frequently order appraisals with more than one scenario. Appraisals containing more than one scenario must identify, describe and analyze each scenario in dedicated, separate and labeled report sections. For example, all descriptions and analyses of the acquisition identified under Scenario 1 must be presented in a section of the report dedicated to and clearly identified as Scenario 1. This includes data related to the description of the land being appraised and to be acquired under that scenario. Each scenario should include a H&B Use analysis, larger parcel analysis, approaches to value, etc. that is specific to that Scenario. DNR will not accept appraisals with data and analyses that are blended and not clearly distinguished. A chart is presented in the Addenda that is an example of how the appraisal may be organized. The example is reflective of reporting requirements presented in Section 2 of UASFLA. An appraisal may be further complicated by additional scenarios and/or multiple larger parcel conclusions within each scenario, and as such, appraisers

should be very mindful of how data and analyses are organized and presented in the appraisal report. Poorly organized data and analyses can mislead the reader.

Miscellaneous Reporting Requirements

1. When reporting the estimated market value, refrain from arbitrarily rounding values downward.
2. These requirements are intended to coincide with those of professional appraisal societies as to content, reasoning and format. The appraiser should add any information that will assist the reader to understand the problem or to clarify the reasoning used by the appraiser to arrive at a final estimate of value.
3. Required contents of appraiser's file:
   a) The appraiser's file is expected to contain information and analyses which are considered but not determined to be necessary for the report to be properly understood by the person(s) expected to receive or rely on the report. Incorporate files, data and statements by reference.
   b) Include any information or documentation necessary to comply with license law.

Data to be furnished by the State, Grant Recipient or Partner (in writing)

1. Assignment instructions (Scope of Work) and fully completed Property Information Packet
2. Ownership information including names of owners and tenants
3. Address of property
4. Legal description(s) and acreage of the property to be acquired by the state
5. Landowner Disclosure
6. Parcel sketch/maps
7. The property rights and interest to be appraised
8. Conservation easement or other easement documents (if applicable)
9. Grant Recipients or Partners ordering appraisal must provide a completed Property Information Form (PIF) and the supporting documentation to the appraiser as soon as possible and no later than upon the appraiser's completion of the appraisal.

EXCHANGE APPRAISAL REQUIREMENTS

The DNR often secures appraisals for the purposes of facilitating exchange transactions. By statute, some land exchanges must be "substantially equal" in value, which means within 20 percent of each other in value if the lands to exchange are 100 acres or less on each side, and within 10 percent of each other in value if they are more than 100 acres on each side (Minn. Stat. 94.343, Subd. 3).

If the state land is Acquired land (not school trust) AND the landowner is a private landowner (not school trust land or a Govt entity), there is more flexibility in the valuation parameters. Under M.S. 94.343 subd 5. **Exchanging land of greater value,** Class A (acquired state) land may be exchanged for land of greater value if the other party to the exchange shall waive payment for the difference or if there is an appropriation available for the acquisition of such land from which the difference may be paid.

For some land types (e.g. school trust), the state is unable to "waive value" so the state land value of the exchange must be equal or less than the private land value in the exchange. When preparing appraisals for exchange purposes, the following additional requirements must be met:

Specific Requirements

When preparing appraisals for exchange purposes, the following additional requirements must be met:

1. Effective dates for the exchange properties should be the same date or very close to the same date.
2. Exchanges do not require a larger parcel analysis, the agreed upon exchange parcel is the larger parcel.
3. In the case of land exchanges with multiple parcels:
   a) The DNR will provide an order of priority for land exchanges with multiple parcels. One prioritized list will be identified as the "base list" and the other prioritized list will be identified as the "equalizer list" specifying which lands must be exchanged and which are optional for the state or landowner. This list will also specify which parcels can be divided, which can be dropped, and which should be retained in the exchange. Adjacent parcels are frequently kept together in exchanges due to access or other issues.
   b) The appraiser should contact the Appraisal Unit Supervisor after the subject inspection and research, but before report writing. At this meeting the appraiser should be prepared to recommend a combination of parcels that would satisfy the equalization requirements. Following the meeting, the Appraisal Unit Supervisor will provide appraisal instructions to the appraiser, and any needed legal descriptions.
4. In the case of land exchanges with single parcels:
   a) The DNR will provide the suggested exchange parcels. If the parcels are found to be not "substantially equal," the appraiser should contact the Appraisal Unit Supervisor for a meeting for further equalization instructions, prior to writing the report.
5. Appraiser must provide the names and addresses for all adjacent landowners for both the state parcel and the private parcel. This information should be placed in the addendum of the report.

Mineral Reservation in Land Exchanges

1. The State of Minnesota is required by statute (M.S. 94.343, subd.4) to reserve minerals and mineral rights, and waterpower rights whenever state land is disposed of through exchange or sale.

   The other party in a land exchange may also reserve mineral rights, however, such reservation, if more extensive than that of the state may not be acceptable to the state, because the state may not be getting equal value in exchange.

   The state will determine through its routine review of land title, required for every exchange, if any mineral reservations or encumbrances exists on the title to the land to be received by the state, and if so, whether they will be detrimental to the exchange transaction.

2. The state cannot accept land in a land exchange if a mineral reservation on the land of the other party provides a right to use the surface without compensation for the land surface damage, or if it reserves repurchase rights to a third party. If either of these conditions exist, the exchange will be terminated unless the deed is modified to remove the objectionable language.

3. If a mineral reservation existing on the land of the other party contains no objectionable restrictions as described in paragraph 2, above, but is more extensive than the rights reserved by the state, and/or if the deed does not address surface damage compensation, the following alternatives exist:
   a) Modification of the reservation to remove the objectionable language.
   b) With available geologic evidence, determine the probability of surface damage, and make adjustments in surface values, to ensure that the state will get a parcel of equal value.

APPRAISAL REVIEW AND REPORTING REQUIREMENTS

The reviewer is responsible to determine if the appraisal report under review provides an adequate basis for the establishment of an estimated market value. DNR appraisals are reviewed at one of two levels: administrative review or technical review. The following highlights each level of review.

Administrative Review

Appraisals with value conclusions under a specific threshold may qualify for an administrative review provided the acquisition does not potentially cause severance damages and the appraisal problem and analysis are otherwise uncomplicated.

Technical Reviewer's Function

Technical reviewers will review appraisals to the applicable standards. Key components of the reviewer's roll include quality control and compliance. The function of a reviewer is to assess the quality and credibility of the appraisal product under review. Ultimately, the reviewer is responsible for determining if the appraisal product is appropriate for using as a basis of negotiating a purchase price, exchange, sale and/or grant reimbursement.

Scope of Work

1. The technical reviewer may approve or reject the appraisal under review. The reviewer will recommend or not recommend an appraisal report's estimated market value.
2. The reviewer's role is to determine if the appraisal report:
   a) Meets quality standards and the criteria of the client
   b) Conforms to the Uniform Standards of Professional Appraisal Practice (USPAP)
   c) Meets current DNR Guidelines
   d) Complies with Federal Standards (when applicable)
   e) Concludes a reasonable and credible market value estimate
3. The reviewer approves a report and recommends certification of a value conclusion

Technical Level of Review

1. Technical reviews will be performed in accordance with Standard 3 of USPAP and, when applicable, with the Uniform Appraisal Standards for Federal Acquisitions (UASFLA).
2. Technical reviews shall evaluate appraisals to determine data is accurately reported and applied, if appropriate valuation methods are applied and assess the credibility of the appraisal under review.
3. Technical reviews may be conducted as either desk reviews or field reviews. Determining the proper level of review is based on the complexity of the problem and the reviewer's familiarity with the appraiser and subject area. The following criteria is recommended to assist in this determination are below:
   a) Field Review is suggested when any of the following situations exist:
      I. Reviewer unfamiliar with appraiser or the appraiser is new Reviewer unfamiliar with market area
      II. Appraisal assignment difficult or complex
      III. Reviewer has concerns about appraiser's analysis
      IV. Reviewer discovers discrepancies in process of review requiring an on-the-ground inspection.
      V. Improvements may materially impact value
4. Field Review required:
   a) When requested by the Appraisal Unit Supervisor
   b) When requested by the Director or Assistant Director of the Division of Lands and Minerals
   c) When required under Federal Agency Guidelines
5. DNR appraisal assignments are often complex. The level of review is generally left to the reviewer's discretion, unless otherwise requested. There are circumstances when reviewers should apply a higher level of critique. At a minimum, the reviewer should verify subject property data included in the appraisal matches the property information packet (PIP) or form (PIF), and spot check comparable sales and mathematical calculations. It is recommended that comparable sales be cross checked with public data. Situations may arise where the reviewer may make their own comparable sales search to test the appraisal's content. Other methods of testing the appraisal results are encouraged. The reviewer bears responsibility for their assessment of the appraisal under review and should take measures to ensure that assessment is also credible.

6. Unless requested, appraisal review assignments do not require the reviewer to form an opinion of the appraised property's value. Until AMU specifically requests the reviewer to form an opinion of the appraised property's value, that activity is outside the scope of the review assignment.

Technical Reviewer Responsibilities:

1. During the review phase, the appraiser will correspond with the assigned reviewer for direction on any needed changes or corrections. Correspondence shall be shared with the Appraisal Unit Supervisor.
2. The review appraiser examines appraisals to assure they meet DNR Appraisal Guidelines, USPAP and UASFLA (when applicable).
3. The reviewer shall not direct an appraiser to a particular value.
4. The reviewer is responsible to determine if the appraisal report under review provides an adequate basis for the establishment of an estimated market value. Information may have become available following the completion of the appraisal report, which the reviewer is obligated to consider. A reviewer's recommendation based on outdated or incomplete information would fail to meet the DNR's need to determine a current estimate of market value. This shall be reported to the Appraisal Unit Supervisor for resolution.
5. The reviewer shall provide their comments in a written format with a follow up call for discussion, if necessary. The written comments should be cc'd to the Appraisal Unit Supervisor.
6. The reviewer should plan to provide the appraiser with sufficient time to address any concerns AND still meet the assignment due date.
7. The reviewer shall give the appraiser at least one opportunity to remedy the report.
8. The reviewer will seek necessary corrections or revisions prior to certification – it is the reviewer's responsibility to verify that agreed-upon revisions are incorporated into the final report and to provide a revised/final appraisal report with the completed review.
9. The revised report should be submitted with the review report to the Appraisal Unit Supervisor on or before the requested date. In the event that the due date is compromised, the reviewer will notify the Appraisal Unit Supervisor.
10. If, after diligent efforts have been made to get the needed support and/or improvements to an appraisal under review, the report does not meet standards, the review appraiser will notify the Appraisal Unit Supervisor and, if necessary, reject the appraisal report with full documentation for the basis of such rejection.
11. When reviewing Land Trust transactions, if the partner acquires or enters into a purchase agreement after the appraisal but before the appraisal review, the reviewer shall obtain the information, analyze and report as a part of the appraisal review. If the reviewer is unable to secure this information, they should report their findings in the review report.
12. If during the review of an appraisal report the reviewer determines that the report is inadequate to the point where the reviewer believes that the appraiser should be reported to the Department of Commerce for incompetency or fraud, contact the Department of Commerce, copying the Appraisal Management Unit on any communication. Then proceed with the review accordingly. Reject the report, documenting your reasons in the conventional way. The DNR does not have a formal role in this. The

licensed appraiser is obligated to report by virtue of being licensed by the state. The DNR will take contractual action only if the appraiser is under contract with the state.

Technical Reviewer Reporting Requirements

Review appraisers shall adhere to Standards 3-2 of the Uniform Standards of Professional Appraisal Practice when reporting the review. The appraiser will certify and recommend a value that is set forth in a signed statement which explains the basis of such recommendation or approval. All technical appraisal review reports will be in writing, narrative in style, and contain the following minimum information:

1. Identify the client and intended users of the reviewer's opinions and conclusions
2. Identify the intended use of the review.
3. Identify the appraisal report under review
4. Identify the names of the appraiser(s) that completed the report.
5. Identify the legal description and ownership interests appraised in the report under review
6. Include the date of the appraisal review report, effective date of the appraisal review, date of the work under review, effective date of the opinions or conclusion in the work under review.
7. Identify and describe the scope of work performed in the review
8. Develop an opinion as to the completeness of the appraisal report under review within the scope of work applicable to the appraisal assignment.
9. Develop an opinion as to the apparent adequacy and relevance of the data and adjustments to data.
10. Develop an opinion as to the appropriateness of the appraisal methods and techniques used, explaining the reasons for any disagreements.
11. Develop an opinion as to whether the analysis, opinions and conclusions in the appraisal report are appropriate and reasonable. Explain the reasons for any disagreement.
12. Report conclusion of the Review: The reviewer accepts, recommends or rejects an appraisal report and recommends an estimated market value.
13. Include the most recent DNR Reviewer Certification (available on the AMU Website) or a certification which addresses each of the state certification components.
14. Provide a DNR Reviewer Certification for each valuation scenario.
15. Attach copies of all appraiser correspondence to the Review Report, including telephone conversations and emails regarding deficiencies.
16. Review Options (In some situations, neither appraisal may be recommended)
    a) Accept and Recommend Appraisal – Appraisal meets standards and is credible-suitable for DNR's intended use.
    b) Accept Appraisal – Appraisal meets standards and is acceptable but not recommended.
    c) Reject Appraisal – Appraisal does not meet standards and/or is not credible.

Review Appraiser Communication

1. The primary contact for the reviewer is the Appraisal Unit Supervisor.
2. The reviewer shall keep confidential all appraisal data.

3. To ensure the ethical integrity of the review process, the reviewer will:
   a) Contact the appraiser, as needed, to obtain an approvable appraisal report. Difficulties must be reported to the Appraisal Unit Supervisor immediately.
   b) Report any contact by others (including DNR staff) to the Appraisal Unit Supervisor.
   c) Attach copies of correspondence to the Review Report.
4. Appraiser Responsiveness
   a) In the case of a DNR-ordered appraisal, if the appraiser is non-responsive, contact the Appraisal Management Unit Supervisor. The DNR Contract requires an appraiser to work with the reviewer.
   b) If you have a non-DNR-ordered appraisal, allow the appraiser the time specified in your written communication. Note all contact attempts in your review report comments for that appraisal.

Concurring Technical Review

1. A concurring desk or field review is considered when one or more of the following exists:
   a) New probationary reviewer
   b) Difficult or complex assignment such as:
      i. Properties in transition
      ii. Complex subdivision analysis
      iii. Undivided partial interests
      iv. Unique conservation easements
      v. Mixed highest and best use
      vi. Severed interests
      vii. Unique properties
      viii. Properties with significant damages or special benefits
      ix. Limited Use Properties
      x. Environmental concerns on the property
2. A concurring desk or field review is required when requested by the Assistant Director or Director of Lands and Minerals.
3. The level of interaction between the primary reviewer and the concurring reviewer will be at the most appropriate level to ensure both quality and efficiency.
4. Concurring reviews will be performed by staff reviewers whenever possible.
5. The concurring reviewer will provide a Current DNR Review Certification attached to the review documents signifying agreement with the appraisal report and review report.
6. If the concurring reviewer is unable to certify the value, the primary and concurring reviewer shall work to resolve their difference of opinion. If timely resolution is not achieved, their concerns will be presented to the Appraisal Management Unit Supervisor.

Review Appraiser's File

1. The review appraiser's file shall contain (at a minimum):
   a) A copy of the appraisal report and amendments
   b) A copy of any follow-up letters or memos from the appraiser in response to queries

c) A copy of the review document
d) Field notes and working papers of the review appraiser
e) Names and phone numbers of all persons interviewed during the course of the review process.
f) The review appraiser's file shall be made available to the client, the Department of Natural Resources, upon request.
g) Under the Data Privacy Act the reviewer's work file and the appraisal data must remain confidential until certain actions occur.
h) Any requests for release of this information should be immediately directed to the Appraisal Unit Supervisor within 24 hours so that applicable laws can be reviewed, and a decision made as to the release of the requested data.

Technical Reviewer Becoming the Appraiser of Record

If a reviewer cannot approve an appraisal report, the DNR may authorize the review appraiser to develop an independent opinion of value (subject to that value opinion being prepared and documented in accordance with USPAP and/or the UASFLA). In certain circumstances, the reviewer may recommend a value estimate different from that cited in the appraisal report under review. If the reviewer determines that this is the most appropriate course of action, he/she must immediately notify the Appraisal Unit Supervisor.

Multiple Appraisal Reports and Divergency

When DNR is purchasing a property, the seller has the right to obtain their own, independent appraisal. DNR will retain its own appraisal and the reviewer. If the owner has obtained their own appraisal concurrently with DNR's the reviewer will be asked to perform a divergency review and provide an opinion as to which appraisal is more credible and should be the basis on which to negotiate the transaction. Divergency reviews also apply to situations where more than one appraisal has been obtained because of high value or a complex appraisal problem. **As previously noted, when multiple appraisal reports are required, the appraisals should be dated and submitted within 15 calendar days of one another. This will allow AMU to contract the reviewers specifically for a divergency appraisal and allow the reviewer the appropriate timing to review the appraisals in tandem.**

1. Review Appraiser's responsibilities: When the review appraiser is provided more than one appraisal report on the same property to review, they must work with both appraisers to attempt to secure an approvable report:
   a) Review each report individually.
   b) Compare the reports to uncover any inconsistencies.
   c) Resolve the differences by finding their sources, through a careful and thorough analysis of the appraisal reports.
   d) Contact both appraisers and give them two weeks to respond to any concerns, preferably in writing and copying the Appraisal Management Unit Supervisor.
   e) Work with each appraiser to attempt to remedy deficiencies.
   f) Determine which appraisal report is better supported and more accurate.

g) During the review, if needed, you can share the comparables chosen by one appraiser with the other appraiser or discuss general methodologies. You cannot disclose the appraised values.

2. Appraisal Standards
   i. Different appraisals may be reviewed to different standards. This occurs most often when there is a landowner appraisal submitted for consideration.
   ii. Landowners' appraisals are only required to meet USPAP. The seller may elect to have the appraisal written to the same standards as DNR's.
   iii. DNR appraisals are conducted to USPAP and DNR Guidelines, and sometimes UASFLA.
      a) The DNR will provide you with the required standards for each appraisal.
      b) Reviewer should consider both reports and review to respective standards.
3. Review Options (In some situations, neither appraisal may be recommended)
   a) Accept and Recommend Appraisal – Appraisal meets standards and is credible-suitable for DNR's intended use.
   b) Accept Appraisal – Appraisal meets standards and is acceptable but not recommended.
   c) Reject Appraisal – Appraisal does not meet standards and/or is not credible.
4. Reporting Requirements
   a) Each appraisal is reviewed independently.
   b) The reviewer may choose to report each appraisal review independently or together in one report.
   c) Correspondence with each appraiser is attached to the review as an addendum.
   d) Within each report, the scope of work will identify that the reviewer was asked to review two reports on the same property.
   e) Within the final comments the reviewer will state the final result of the review for the appraisal and the reason for that decision.

Technical Reviews on Land Trust or Grant Projects – Additional Requirements

1. When reviewing projects related to Land Trust or State Grants the following items are required, in addition to the requirements of USPAP and the DNR Supplemental Appraisal and Appraisal Review Guidelines:
   a) The written appraisal instructions must be included in the addendum of the report.
   b) The appraiser must have been provided a copy of the Landowner's Disclosure Statement.
   c) The appraisal must be completed as of a current date, unless the appraiser is otherwise instructed, and approval is secured from the DNR Appraisal Unit Supervisor.
   d) The appraisal must be an "as is" appraisal unless advance approval is secured from the DNR Appraisal Unit Supervisor.
   e) If the partner acquires or enters into a purchase agreement after the appraisal but before the appraisal review, the reviewer shall obtain the information, analyze, and report as a part of the appraisal review. If the reviewer is unable to secure this information, they must report their findings in the review report.
   f) **Grant Project Only:** The intended use of the review report is to assure reliability and credibility of the appraisal for use in reimbursement of grant monies.

Administrative Appraisal Review Guidelines

The DNR administrative review process may be used under the criteria set forth in the Lands and Minerals Director's Memo to staff, which authorizes Lands and Minerals staff to conduct administrative reviews. Government staff appraisers are often assigned to conduct administrative reviews. These administrative staff duties are considered to fall outside the scope of the Uniform Standards of Professional Appraisal Practice (USPAP).

1. Designated Lands and Minerals staff may conduct Administrative Reviews for appraisals that meet certain criteria.
2. Grant recipient staff with appropriate real estate expertise may conduct administrative reviews in accordance with current grant requirements.
3. Reviewer responsibilities:
   a) The purpose of the administrative review function is to check for completeness of the appraisal report and to check the accuracy of the math.
   b) The administrative review does not consider the analysis or conclusions presented.
   c) The administrative review documentation will consist of a signed checklist.
   d) The administrative reviewer is authorized to contact the appraiser if there is documentation missing or a math error.
   e) If unresolved checklist deficiencies are evident, or other concerns are noted a technical review shall be conducted.

Reviewer Conflict of Interest Situations

To ensure objectivity and independence in the review process and to preclude the appearance of conflicts of interest or wrongdoing, review appraisers should not accept the following assignments:

1. Be responsible for negotiation or the sale or purchase of the appraised property.
2. Review an appraisal prepared by the reviewer's supervisor.
3. Review an appraisal of a property personally and recently appraised by the reviewer.
4. Review an appraisal prepared by someone who is or has recently reviewed the reviewer's appraisal work.

REPORT SUBMISSION

When your assignment is complete, it must be submitted electronically.

1. The Appraisal Unit is authorized to use Office 365 encryption and FTPS for delivering protected data. FTPS is a way to use encryption over standard FTP protocol for sharing files. The DNR uses FileZilla software that supports FTPS to access this site. Due to the sensitivity of appraisal data, any sharing of appraisal data must be through one of these two methods. Using these services will allow appraisers and review appraisers to submit their work securely by email.
2. When submitting, the following should be included:
   a) Appraisal Report
   b) Appraisal Review Report, when applicable
   c) Invoice
   d) There is a 25MB file size limitation that may make the Office 365 encryption option unavailable. If the file exceeds this size, contact the Appraisal Management Unit for instructions on using FileZilla.

DEFINITIONS

Administrative Review
An administrative review checks for the completeness of the appraisal report and such items as accuracy of math. An administrative reviewer does not make a judgment on the analysis or conclusions within the report. DNR Administrative reviews are considered to fall outside the scope of USPAP.

Appraisal
An analysis, opinion, or conclusion relating to the nature, quality, value or utility of named interests in, or aspects of, identified real estate for purposes of preparing an appraisal report.

Accepted Appraisal
An appraisal accepted by a qualified review appraiser of the agency.

Appraisal Practice
Valuation services performed by an individual acting as an appraiser, including but not limited to appraisal, appraisal review or appraisal consulting.

Appraisal Review
The act or process or critically studying, developing, and communicating an opinion about the quality of another appraiser's work.

Appraiser
A person who develops and communicates real estate appraisals and who holds a current valid license. One who is expected to perform valuation services competently and in a manner that is independent, impartial and objective.

Approved Appraisal
An accepted appraisal that is approved by the agency and used in support of the review appraiser's recommended fair market value.

Certified Appraisal
An appraisal that is the basis of a signed Resume of Certified Appraisal Value (RCA) which is signed by the Director or Assistant Director of Lands and Minerals.

Competency Rule
In all cases, the appraiser must perform competently when completing the assignment. Prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment; or alternative, must:

1. Disclose the lack of knowledge and/or experience to the client before accepting the assignment;

2. Take all steps necessary or appropriate to complete the assignment competently; and
3. Describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.

Disposition Value
The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale will occur within a limited future marketing period specified by the client.
2. The actual market conditions currently prevailing are those to which the appraised property interest is subject.
3. The buyer and seller are each acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider their best interests.
7. An adequate marketing effort will be made in the limited time allowed for the completion of a sale.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. 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.

Divergency
The difference(s) in value and/or analysis between separate appraisal reports for the same property. Typically, divergency must be resolved before an organization can rely on the value estimate. The reviewer recommends one of the appraisals and either accepts or rejects the other.

Full Field Review
This review is typically made by inspecting the subject of the appraisal and all sales used in the analysis.

Grant Project
A project that is identified by a “GRANT AGREEMENT” which outlines the grant requirements.

Land Trust Project
A project that is identified by a “CAUSATION LETTER” which outlines the agreement between the partner and the Minnesota DNR.

Liquidation Value
The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale will occur within a severely limited future marketing period specified by the client.
2. The actual market conditions currently prevailing are those to which the appraised property interest is subject.

3. The buyer is acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. The buyer is acting in what he or she considers his or her best interest.
7. A limited marketing effort and time will be allowed for the completion of a sale.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. 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.

Market Value
The definition of market value as set forth in the Definitions section of the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) published by the Appraisal Institute is as follows:

"Market Value is the amount in cash, or on terms reasonably equivalent to cash, for which in 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 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 at the time of the appraisal."

Partial Field Review
This review involves inspecting some combination of the subject and some sales or some combination less than a full review.

Recommended Appraisal
An appraisal recommended by a qualified review appraiser or by a delegated administrative staff reviewer of the agency concerned.

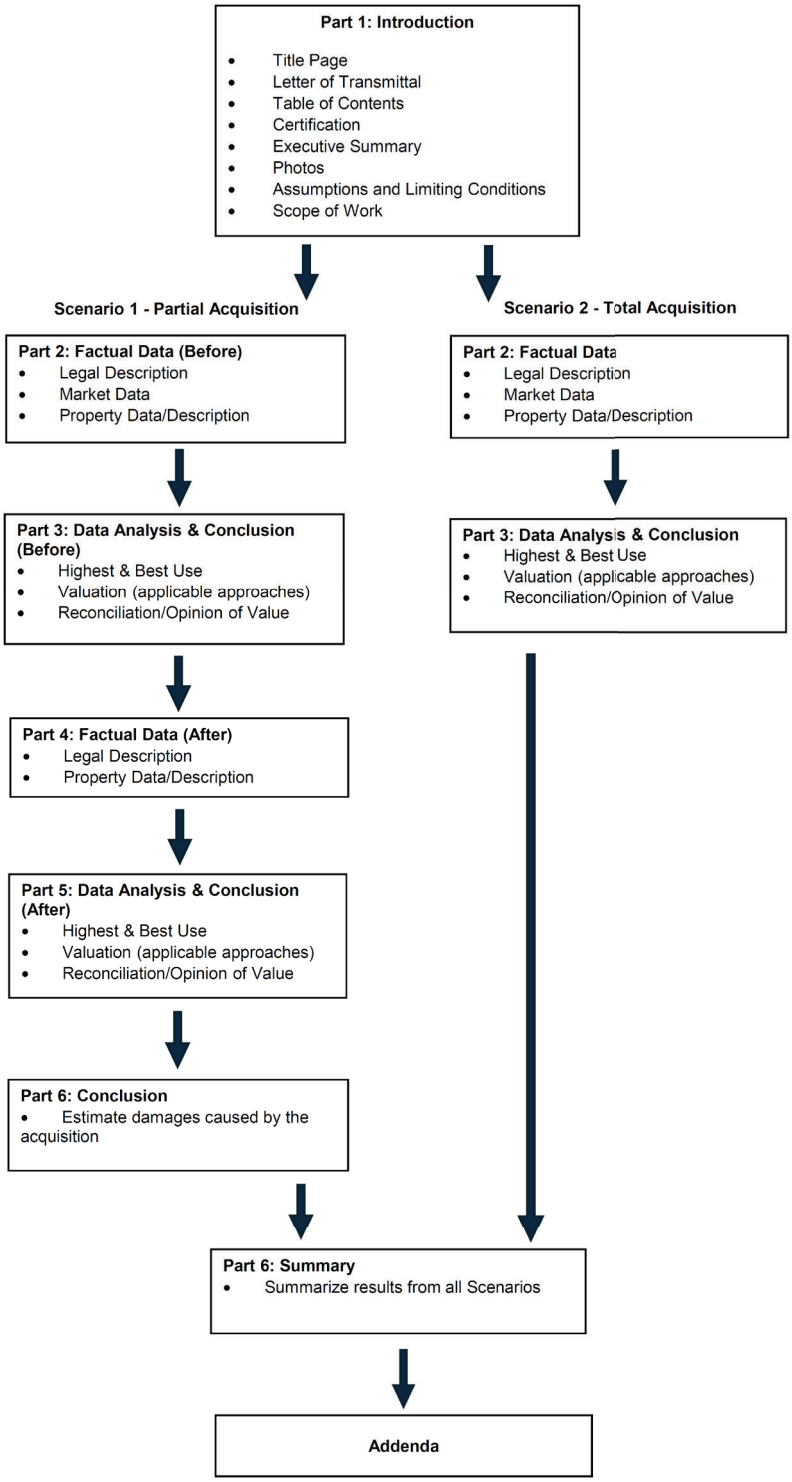
Rejected Appraisal
An appraisal deemed unacceptable for use by a qualified review appraiser of the agency concerned.

Review Appraiser
An appraiser who examines the reports of other appraisers.

Technical Review
A technical review is performed by licensed appraisers in which the appraiser makes a judgment on the analysis or conclusions within the report. A technical reviewer can express a different estimate of value from that in the appraisal report under review when the reviewer determines that the original report is non-compliant. A technical review must "approve" or "not approve" the report and also will need to "recommend or not recommend" the value conclusion in the review report.

ADDENDA

Recommended Appraisal Flow Chart for Multiple Scenarios



Cheryl J. Kelley-Dobie Digitally signed by Cheryl J. Kelley-Dobie
Date: 2026.10.08 14:30:16 -05'00'

Approved:
Cheryl Kelley-Dobie, Assistant Director
Lands and Minerals