



Division of Land and Minerals
Appraisal Management Unit

Minnesota Department of Natural Resources

SUPPLEMENTAL APPRAISAL AND APPRAISAL REVIEW GUIDELINES

Effective 1/1/2016



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I. APPRAISER/REVIEWER QUALIFICATIONS

A. Department of Natural Resources (DNR) Appraiser/Reviewer Qualifications

1. Appraiser Qualifications
 - a. Appraiser must be licensed with the State of Minnesota as a Certified General Appraiser in good standing.
 - b. Current license requirements can be found by contacting the Minnesota Department of Commerce.
 - c. Appraiser must meet the Competency Provision of USPAP for each assignment.
2. Reviewer Qualifications
 - a. Reviewer must be licensed with the State of Minnesota as a Certified General Appraiser in good standing.
 - b. Reviewer must meet the Competency Provision of USPAP for each assignment.
 - c. Additional Federal Program Qualifications:
 - i. Reviewer must have documented authority from the appropriate Federal agency

II. GENERAL APPRAISAL STANDARDS

A. DNR Supplemental Appraisal and Appraisal Review Guidelines

The Department of Natural Resources (DNR) publishes its own supplemental guidelines so that it can supplement the purpose, intent and content of the requirements of USPAP and obtain appraisals that comply with a variety of reporting standards

B. Uniform Standards of Professional Appraisal Practice (USPAP)

The Department requires that such reports adhere to state statutes and the most current version of the Uniform Standards of Professional Appraisal Practice (USPAP) as published by the Appraisal Foundation and state statutes. Appraisers should be accustomed to using the USPAP guidelines and be familiar with the advisory opinions issued by the Appraisal Foundation on specific topics.

C. Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA)

In some cases, the DNR appraisal assignment also requires adherence to Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA). The UASFLA requirements are detailed in printed guidelines by the same name, also referred to as the “yellow book.” Appraisers who accept assignments which must be completed to federal standards should be competent to appraise and write reports according to with the “yellow book” standards and able to tailor their appraisals to those standards.

D. Federal Highway

Appraisers who conduct DNR appraisals for grant-in-aid trails must also be approved to do appraisals for Federal Highway Administration guidelines.

E. 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.

III. STATUTORY AND DNR-SPECIFIC STANDARDS

A. DNR Appraisals and DNR Appraisal Reviews are Confidential Data

Certain appraisal information is considered confidential (protected non-public data) by the DNR. Appraisal data that is protected non-public shall not be released to any individual outside of the Lands and Minerals Appraisal Management Unit (AMU) without the approval of the Lands and Minerals Director, Assistant Director or Appraisal Unit Supervisor.

B. Conflict of Interest

Staff and fee appraisers must disqualify themselves from appraising properties where there is a personal or business relationship in the property to be appraised or reviewed.

C. Landowner Appraisal - Acquisitions

The Landowner has a right to retain a qualified independent appraiser to conduct an appraisal at any time for acquisitions. To have the landowner appraisal be considered with the state's appraisal, the report must be received by the Division of Lands and Minerals prior to the review and certification of the state's appraisal of the property. If a landowner appraisal is received, the DNR appraisal and the landowner appraisal will be reviewed together.

D. Need to Remedy Deficiencies

Technical and Administrative reviewers will review appraisals. 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.

E. Extraordinary Assumptions and Hypothetical Conditions

Any "extraordinary assumptions" or "hypothetical conditions" 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 the state is purchasing it directly from the landowner. The appraiser must include this assumption 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.

F. Waivers

When the landowner is a non-profit organization or a unit of government, the DNR and the landowner may enter into an agreement to waive any of the rights identified in the Landowner's Bill of Rights law. 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.

G. Potentially Contaminated Property Appraisal or Environmental Nuisances

The appraiser's primary responsibility is to photograph any areas of suspected contamination or environmental nuisance (if possible) and notify the Appraisal Unit Supervisor, Grant Project Manager or Partner Project Manager of anything discovered either in on-site inspections or in background research.

The Appraiser will be directed to appraise the property in one of two ways:

1. Appraise the property as though the concern were removed (hypothetical condition).
 - a. This will result in one of the following actions:
 - i. Landowner will clean up prior to closing.
 - ii. DNR administration (this is not an option for Grant or Partner Projects) will administratively reduce the value of property due to the environmental condition based on a cost to cure estimate from either:
 - (a) DNR Management Resources
 - (b) A qualified specialist in environmental remediation
2. Appraise the property as is, relying on the findings and opinions of qualified specialists in environmental remediation and compliance cost estimations.
 - a. Appraiser must consider if the condition will result in stigma and affect the market value.
 - b. Copies of estimates provided by others should be included in the addendum of the report.

H. Shelf Life

The longevity of an appraisal report is contingent primarily on the volatility of the real estate markets in the vicinity of the subject property. It has generally been 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).

I. Property Information Packet

A property information packet may be provided to the appraiser. Information is deemed reliable, although it is the appraisers or reviewers responsibility to bid the project understanding that the information is not guaranteed and requires independent verification.

J. 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 politely ask the staff person to call 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 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 contacted to discuss the assignment, refer the inquiry to the Appraisal Management Unit.

4. Appraised value data may be non-public data. Appraised value data shall not be released by the appraiser or reviewer to any individual outside of the Appraisal Management Unit without the approval of the Lands and Minerals Director or Assistant Director.

K. Performance

1. Failure to provide documentation as prescribed 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 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.

L. 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.

IV. TYPES OF APPRAISAL PROJECTS

A. DNR Ordered Appraisal

1. The DNR orders appraisals to meet statutory and program requirements.
2. Such appraisal reports must comply with Uniform Standards of Professional Appraisal Practice (USPAP) and the DNR Supplemental Appraisal and Appraisal Review Guidelines.
3. The Appraisal Unit Supervisor is the contact for appraisal-related questions.

B. Landowner Appraisal (Acquisition Projects Only)

1. The landowner has a right to retain a qualified independent appraiser to conduct an appraisal. The report must be received by the Appraisal Management Unit prior to the review and certification of the state's appraisal of the property. If a landowner appraisal is received, the DNR appraisal and the landowner appraisal will be reviewed together.
2. Such appraisal reports must comply with Uniform Standards of Professional Appraisal Practice (USPAP).
3. 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.
4. 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.

C. Land Trust Appraisal (Acquisition Projects Only)

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

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 Letter of Intent between the DNR and the Partner.
3. The Land Trust must have been issued a Land Trust "Letter of Intent" 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 assumption 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.

D. 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 your grant administrator. Attachment E is also available on the Appraisal Management Unit page of the DNR website.
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 assumption as a "hypothetical condition" in the appraisal.
10. The written appraisal instructions must be included in the addendum of the report. The appraiser will also make not of any verbal instructions and provide.

V. 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. Generally, the complexity, funding, value and type of the property appraised help the Appraisal Management Unit determine the desired level of detail required.

A. Restricted Report

The DNR does not use or accept restricted reports.

B. Appraisal Report

The reporting format is determined by the project complexity and level of detail needed to communicate the appraisal problem. Below are some general guidelines the AMU uses to determine the level of detail required in reporting. For further clarification, please contact the Appraisal Unit Supervisor.

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. 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.
 - 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.

C. Minimal Value Report for 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 in (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.

D. Minimal Value Report for Land Sales (as allowed under statutes 92.115 and 94.10)

The sale 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 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.

VI. REQUIRED NUMBER OF APPRAISALS

When two appraisals are conducted, they will be conducted simultaneously. The following situations may require two appraisals:

1. A second DNR appraisal may be required based on high value.
2. A second DNR appraisal may be required based on the complexity of the assignment, as approved by the Director or an Assistant Director of the Division of Lands and Minerals.
3. A second DNR appraisal may be requested by the acquiring division.
4. A second DNR appraisal may be required to meet requirements for grants or Land Trust projects.

VII. APPRAISAL AND REVIEW ASSIGNMENT PROCESS

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

A. Assignment Process

1. The DNR typically assigns the appraiser and reviewer to a project in two steps.
2. The Appraisal Unit Supervisor or Appraisal Coordinator selects 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 appraiser is based on competitive 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.
6. The Appraisal Management Unit will immediately notify the chosen appraiser of the assignment.
7. A hard copy work order with instructions will be mailed 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 (or original or pdf), 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.

B. 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.

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.

C. 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. .

D. Appraisal Update Policy

It may be appropriate under several conditions, such as when the market has changed, when the property itself has changed, or when the client wishes to have the appraiser include a different scope of work than in the original appraisal.

“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 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. It is up to the appraiser to 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.

The following apply to appraisal updates:

1. The USPAP Advisory Opinion 3 (AO-3) should be consulted for a checklist of minimum documentation needed for an update report.
2. When revising a completed report, the report date and certification date must be updated.
3. The update shall include, at minimum, the following items:
 - a. Letter of transmittal
 - b. Statement that the update becomes an attachment to the original report
 - c. Updated scope of work
 - d. Explanation of any changes in market condition since original appraisal
 - e. Explanation of any changes in subject property since original appraisal
 - f. Update of any section of the report pertinent to the changes identified
 - g. Any other relevant information pertinent to the update
 - h. DNR Summary (needed only if there is a change in value or effective date).
 - i. DNR Certification (needed only if there is a change in value or effective date).

VIII. APPRAISAL STANDARDS AND APPRAISAL REPORTING REQUIREMENTS

DNR reports should include the following content. The depth of content is determined by the complexity of the project.

A. 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
3. Table of Contents
4. Current DNR Appraisal Certification
5. DNR Appraisal Summary Document (Federal Standards Appraisal Only)
6. Date of Inspection
7. Effective Date of Appraisal
8. Salient Facts and Conclusions
9. Statement of Assumptions and Limiting Conditions – Project specific (Boiler plate not appropriate).

B. 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. The scope of work is generally acceptable when it meets the following:
 - a. Expectations of parties who are regularly intended users for similar assignments involving public funds.
 - b. What an appraiser’s peers’ actions would be in performing the same or a similar assignment.
3. 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.
4. Use of an extraordinary assumption or hypothetical condition must be pre-approved by the Appraisal Unit Supervisor.
5. Appraisals prepared under DNR guidelines must be “as is” market value appraisals, unless otherwise approved by the Appraisal Unit Supervisor.
6. The appraiser reserves the right to amend the opinion of value if a current title report or survey would provide significant findings regarding the estate, minerals rights, access or other restrictions.
7. Required scope of work elements:
 - a. Client and intended users (must include MN DNR and federal agencies).
 - b. Definition of market value and citation
 - c. Intended use
 - d. Effective date of appraisal
 - e. Subject property – defined by legal description
 - f. The real property interests being appraised
 - g. Assignment conditions, including any “extraordinary assumptions” and/or “hypothetical conditions”
 - h. Larger parcel analysis
8. Physical Inspections of Appraised and Comparable Properties:
 - a. The subject property must be physically inspected by the appraiser under contract. A systematic, on-the ground site inspection is essential.
 - b. The landowner must be given an opportunity to accompany the assigned appraiser on the inspection and this must be documented on the DNR Certification.
 - c. Field inspection and on-the-ground photographs of the appraised and comparable properties are required by the assigned appraiser
 - d. 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 physical inspection (i.e. flyover).
 - e. Unusual circumstances that make aerial inspections more appropriate must be pre-approved by the Appraisal Unit Supervisor.
 - f. 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.

C. Factual Data

1. Identify property by full legal description and by address (as appropriate: whole, acquisition and/or 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** (if any) in the cover letter, 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, zoning and deed restrictions.
7. 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.
8. Describe present use of the property
9. Identify encumbrances
10. City and neighborhood data
11. Property Data – Include maps, diagrams and sketches necessary to identify and understand the subject.
12. Summarize type and character of area real estate markets.

D. Data Analysis and Conclusions

1. Describe type and character of real estate markets with a view to the highest and best use discussion.
2. Analysis of Highest and Best Use (vacant and improved if applicable) (definition and citation)
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.

E. Correlation, Reconciliation and Final Value Estimates

Reconcile indications of the approaches to value to a single value estimate

F. 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).
 - c. When more than one appraiser contributes to an appraisal assignment, each appraiser must submit a separate certification.
 - d. 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

G. 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.

H. 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.

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

1. Assignment instructions (Scope of Work)
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)

J. Conservation Program Encumbrances

The appraiser shall identify properties that are encumbered with contracts, such as CRP, NPB, CREP, RIM, WRP, etc., and describe the terms and conditions of payments made under those programs. 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 purchaser. Copies of all contracts shall be included in the Addendum. In the sales comparison approach, similarly encumbered comparables should be provided. If similarly encumbered comparables are not available, relevant market derived adjustments must be documented.

K. 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 a value 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.

L. Application of Cost Approach

The Cost Approach is traditionally used to estimate the depreciated value of improvements on real property. A segment of the agricultural appraisal community routinely uses the Cost Approach to breakdown components of land. One appraisal organization, the American Society of Farm Managers and Rural Appraisers (ASFMRA) even teaches this method and some Farm Credit Service Bureaus insist it be included in any appraisals for transactions they will be financing.

The books, The Appraisal of Real Estate and The Dictionary of Real Estate Appraisal, define the cost approach in terms of valuing improvements. The Uniform Standards of Professional Appraisal

Practice (USPAP) Standard 1-4b states: “When a Cost Approach is applicable, an appraiser must: develop an opinion of site value by an appropriate appraisal method or technique; analyze such comparable cost data as are available to estimate the cost new of the improvements (if any); and analyze such comparable data as are available to estimate the differences between new and the present worth of the improvements (accrued depreciation).” This is the only specific reference to the Cost Approach contained in USPAP, and it clearly references improvements as a basis for using the approach in an appraisal report.

Furthermore, Section A16 of the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), commonly called the “yellow book” calls the Cost Approach the least reliable of the three approaches and strongly cautions against using it for anything more than as a support for a value derived by either the Sales Comparison or Income approaches.

The DNR will accept appraisals that use the Cost Approach to break down components of the land. However, the use of this approach must rely upon, and provide, pure sales as the basis of the analysis.

M. Sales Comparison Approach – Qualitative and Quantitative Adjustments

The preferred method of adjusting comparable sales is through the use of quantitative adjustments whenever adequate market data exists to support them. Factors that cannot be quantified are appropriately dealt with in qualitative analysis.

It is not acceptable to use one’s own opinion for dollar or percentage adjustments. An adjustment in dollar figures or percentages cannot be used unless there is supporting market data or matched pairs of sales back it up.

This requirement restricts one to a plus or minus qualitative adjustment except for those dollar or percentage adjustments that can be supported. It accomplishes two things: it requires a thorough sale search that provides most comparable sales available, thus reducing adjustments. It also assures that the appraiser is not adjusting to a preconceived figure.

Using qualitative adjustments requires an appraiser to rely upon comparable properties that are both superior and inferior to the subject for specific elements of comparison. It is imperative when using qualitative adjustments that the adjusted comparable sales bracket the value of the subject parcel. Use of additional comparable sales to meet this requirement may be necessary. It is not appropriate to sum the qualitative adjustments as this implies relativity between the adjustments.

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

1031 exchange transactions are suspect as arm’s-length transactions because of the very tight time lines required by law. If it is necessary to be considered, they require expensive verification. If an appraiser must use a

1031 comparable, appraiser must have discussions with both the buyer and seller to make sure that no one was under duress to complete the transaction. The appraiser must report the sources (names and phone numbers) and details of his or her discussions.

O. 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. If it is necessary to consider such government sales, they require extensive verification. 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. Please report the sources (name and phone numbers) and details of your discussions.

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

1. The DNR recommends the use of the valuation technique referenced in Appraising Partial Interests, (David Michael Keating), Chapter 5.
2. 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 remainder man.
3. Typically the DNR is interested in the market value of the remainder man's interest. To estimate the value of the remainder man'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.

Q. Appraising Undivided Partial Interests

The DNR does not assume the value attributable to the owners of a partial interest is in direct proportion to his 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 you are ready to analyze the undivided interest.
2. You then must analyze actual sales data of properties that were sold with undivided interests.
3. The DNR has primarily relied upon 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.

R. Valuation of Access Issues Specific to DNR Acquisitions

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

1. Legally, cartways cannot be forced across state owned land and should not be considered.

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2. 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.
3. Determine if there is legal authorization to cross state lands, such as an easement or highway right-of-way.
4. State forestry roads do not represent legal public access.
5. A DNR lease authorizing access does not represent legal public access; the DNR is not a public road authority.
6. 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.
7. It should not be assumed that access easements across state lands will be issued by the DNR unless directed.
8. When appraising properties through the use of a before-and-after appraisal process, the appraiser must consult with the Appraisal Unit Supervisor if the parcel being acquired does not have legal access. In most cases, the appraiser will be instructed to appraise the property “direct,” that is, without the use of a before-and-after appraisal.
9. The DNR will not rely upon an appraisal which does not accurately reflect the rights of access that are actually acquired.
10. If appraiser is asked to appraise the property under the hypothetical condition that access is as defined, the appraiser is expect to analyze if the hypothetical access will meet the appraiser’s highest and best use conclusion.
11. A sales comparison approach to value with comparables with similar access is essential. A “cost to cure” method of valuation should be supported with market comparables.

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

The appraiser should notify the contact person as specified in section V of these Guidelines if the appraiser identifies a property in which there is a gravel resource with potential market value.

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 council to ascertain ownership rights as to that particular parcel. Sufficient title work must be conducted to determine appropriate ownership of the resource.

The contact person as specified in section V of these Guidelines will direct the appraiser to appraise the property in one of two ways:

1. Appraise the property as if there is no sand/gravel resources or potential for sand/gravel resource (extraordinary assumption)
 - a. This will result in the following action:
 - i. 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.
 - ii. This waiver method is not allowed for projects involving federal aid
 - b. Appraise the property as is, relying on the estimations, findings and opinions of qualified specialists in sand/gravel resource assessment.
 - i. Appraiser must consider the quality, quantity, and market demand for the resource.
 - ii. Copies of estimates and reports provided by others should be included in the addendum of the report.

T. 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.

U. 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 substantially comply with the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA).
4. Comparables in the after position should be properties similarly encumbered, if at all possible. A larger geographic search is typical.
5. The appraiser must assume a hypothetical condition in the after valuation perspective – 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.

V. Conservation Easements and Mineral Rights

If the DNR will be the holder of the conservation easement, the DNR will be requiring language in the conservation easement that allows the state the ability to exercise its mineral rights. With the larger conservation easements being entered into, it is common to find that the State of Minnesota is the owner of the severed minerals for properties being made subject to conservation easements being accepted by the DNR. 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).

W. 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.

IX. EXCHANGE APPRAISAL REQUIREMENTS

The DNR often secures appraisals for the purposes of facilitating exchange transactions. By statute, 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). For some land types (e.g. school trust), the state is unable to “waive value” so the state side of the exchange must be equal or less than the private exchange. When preparing appraisals for exchange purposes, the following additional requirements must be met:

A. 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.

B. 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 water power 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.

X. APPRAISAL REVIEW STANDARDS 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.

A. Technical Reviewer's Function

Technical reviewers will review appraisals to the applicable standards. The function of a reviewer is to investigate, analyze and verify the logic and procedures used in appraisal reports and to ensure the preparation of reports that result in sound market value estimates. Quality control and compliance are key components to the reviewer's function.

B. Scope of Work

1. The reviewer accepts, recommends or rejects an appraisal report and recommends an 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. Complies with current DNR Standards
 - d. Complies with Federal Standards (when applicable)
 - e. Concludes a reasonable and reliable market value estimate
3. The reviewer approves a report and recommends certification of a value conclusion

C. Technical Level of Review

1. A Technical Review 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 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. Guidelines to assist in this determination are below:
 - a. Field Review is suggested when any of the following situations exist:
 - b. Reviewer unfamiliar with appraiser or the appraiser is new Reviewer unfamiliar with market area
 - c. Appraisal assignment difficult or complex
 - d. Reviewer has concerns about appraiser's analysis
 - e. Reviewer discovers discrepancies in process of review requiring an on-the-ground inspection.
3. 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

D. 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 and USPAP, when applicable.
3. When requested, the review appraiser shall examine appraisals to assure that they meet the Uniform Appraisal Standards for Federal Acquisition (UASFLA).
4. The reviewer shall not direct an appraiser to a particular value.
5. 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.
6. The reviewer shall provide his or her comments in a written format with a follow up call for discussion. The written comments should be cc'd to the Appraisal Unit Supervisor
7. The reviewer should plan to provide the appraiser with sufficient time to address any concerns AND still meet the assignment due date.
8. The reviewer shall give the appraiser at least one opportunity to remedy the report.
9. 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
10. The revised report should be submitted with the review report to the Appraisal Unit Supervisor.
11. The reviewer will complete the review assignment and deliver it to the Appraisal Management Unit on or before the requested due date.
12. In the event that the due date is compromised, the reviewer will notify the Appraisal Unit Supervisor.
13. 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 reject the appraisal report with full documentation for the basis of such rejection.
14. 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 he or she should report their findings in the review report.
15. 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

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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

E. Technical Reviewer Reporting Requirements

Standards 3-2 of the Uniform Standards of Professional Appraisal Practice will be adhered to 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. The DNR standard review report format is recommended.
2. Identify the client and intended users of the reviewer's opinions and conclusions
3. Identify the intended use of the review and the purpose of the review statement
4. Identify the appraisal report under review
5. Identify the names of the appraiser(s) that completed the report.
6. Identify the legal description and ownership interests appraised in the report under review
7. 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
8. Describe the scope of work under review
9. Identify the scope of work performed in the review
10. Develop an opinion as to the completeness of the appraisal report under review within the scope of work applicable to the appraisal assignment.
11. Develop an opinion as to the apparent adequacy and relevance of the data and adjustments to data.
12. Develop an opinion as to the appropriateness of the appraisal methods and techniques used, explaining the reasons for any disagreements.
13. 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.
14. Report conclusion of the Review: The reviewer accepts, recommends or rejects an appraisal report and recommends an estimated market value.
15. Prepare an appraisal review report in compliance with DNR Guidelines and, when applicable, in compliance with Section C-6 of USASFLA.
16. Include the most recent DNR Reviewer Certification (available on the AMU Website) or a certification which addresses each of the state certification components.
17. Provide a DNR Reviewer Certification for each valuation scenario
18. Attach copies of all appraiser correspondence to the Review Report, including telephone conversations and emails regarding deficiencies.
19. Review Options (In some situations, neither appraisal may be recommended)
 - a. 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.

F. 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.

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- 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.

G. 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:
 - Properties in transition
 - Complex subdivision analysis
 - Undivided partial interests
 - Unique conservation easements
 - Mixed highest and best use
 - Severed interests
 - Unique properties
 - Properties with significant damages or special benefits
 - Limited Use Properties
 - 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.

H. 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.

I. Technical Reviewer Becoming the Appraiser of Record

If a reviewer cannot approve an appraisal report, the DNR may authorize the review appraiser to develop

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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.

J. Multiple Appraisal Reports and Divergency

1. Review Appraiser's responsibilities: When the review appraiser is provided more than one appraisal report on the same property to review, he/she 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
 - a. Different appraisals may be reviewed to different standards.
 - i. This occurs most often when there is a landowner appraisal submitted for consideration.
 - ii. Landowners' appraisals are only required to meet USPAP.
 - iii. DNR appraisals are conducted to USPAP and DNR Guidelines, and sometimes UASFLA.
 - b. The DNR will provide you with the required standards for each appraisal.
 - c. Reviewer should consider both reports and review to applicable standards.
3. Review Options (In some situations, neither appraisal may be recommended)
 - a. 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 and reported separately.
 - b. Correspondence with each appraiser is attached to the review as an addendum.
 - c. Within each of the two reports, the scope of work will identify that the reviewer was asked to review two reports on the same property.
 - d. Within your final comments the reviewer will state the final result of the review for the appraisal y and the reason for his or her decision.
 - e. See X.E. for additional requirements.

K. 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 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

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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.

L. Administrative Appraisal Review Guidelines

The DNR acquisition 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.

M. Reviewer Conflict of Interest Situations

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

XI. REPORT SUBMISSION

When your assignment is complete, you have the following options for submission:

A. Electronically

1. The Appraisal Unit has been authorized to use Office 365 Message Encryption. Using this service will allow appraisers and review appraisers to submit their work securely by email. Please go to our website for detailed instructions on using this service: [DNR Appraisal Management Website](#)
2. AMU encourages appraisers to use the option to send reports by email with an encryption envelope. However, there have been occasional failures with the encryption program. If using encryption, appraisers and review appraisers must send their reports three days before deadline or sooner, so that if the encryption fails, there is still enough time to get the report (on CD) delivered on time.
3. When submitting electronically, the following should be included:

- a. Appraisal Report
 - b. Appraisal Review Report, when applicable
 - c. Invoice (2 for appraisal assignment, 1 for review assignment)
4. There is a 25MB file size limitation that may make this option unavailable.

B. By Mail

1. When submitting by mail, the following should be included in paper or CD format (CDs should be labeled with transaction number and name):
 - a. Appraisal Report (one copy)
 - b. Appraisal Review Report (one copy), when applicable
 - c. Invoice (2 for appraisal assignment, 1 for review assignment)

XII. 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 of 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 is 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 "LETTER OF INTENT" 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 certify, accept or reject the conclusion in the review report.

Approved November 5, 2015
Kathy A. Lewis
Assistant Director
Lands and Minerals