

SUBJECT: Real Estate Appraisal and Review Process, Stewardship Grants

FOR: APRIL 2012 BOARD MEETING

TO BE PRESENTED BY: Doug Haag, Peter Wolter and Pam Foster Felt

SUMMARY:

At the March, 2012 meeting the Board directed the Department to provide background information about appraisal and appraisal review for determining the value of land when awarding land acquisition grants to Non Profit Conservation Organizations and Local Units of Government under the Knowles Nelson Stewardship Program.

Appraisal work is contracted to licensed professional appraisers who are required to perform to Department appraisal guidelines. Appraisal review is done by the Department's real estate professionals in the Division of Lands and is in accordance with statutes and professional standards with a goal of establishing fair, supportable and reasonable land values. Care is taken to ensure program integrity and that the Department has the highest level of accountability when spending public funds.

RECOMMENDATION: None – informational item

LIST OF ATTACHED MATERIALS:

- | | | | |
|--|---|---|----------|
| No <input checked="" type="checkbox"/> | Fiscal Estimate Required | Yes <input type="checkbox"/> | Attached |
| No <input checked="" type="checkbox"/> | Environmental Assessment of Impact Statement Required | Yes <input type="checkbox"/> | Attached |
| No <input type="checkbox"/> | Background Memo | Yes <input checked="" type="checkbox"/> | Attached |

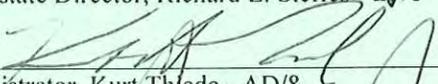
APPROVED:



Real Estate Director, Richard E. Steffes - LF/6

4-9-12

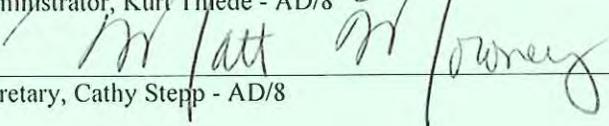
Date



Administrator, Kurt Thiede - AD/8

4-10-12

Date



Secretary, Cathy Stepp - AD/8

4/12/12

Date

cc: S. Miller – LF/6
R. Steffes – LF/6
D. Haag – LF/6

DATE: April 9, 2012
TO: Natural Resources Board
FROM: Cathy Stepp *CS*
SUBJECT: Real Estate Appraisal and Review Process, Stewardship Grants

At the March, 2012 Natural Resources Board meeting you asked for information regarding the Department's policies and procedures for determining the value of land when awarding land acquisition grants to Non Profit Conservation Organizations and governmental agencies under the Knowles Nelson Stewardship Program or other similar grant programs.

The foundation for the Department's land valuation policies are found in state statute and administrative code. State law requires that grants be based on the fair market value of the land as determined by Department approved appraisals prepared in accordance with the Department's appraisal guidelines. The Department develops its appraisal guidelines based on state and federal law and the Uniform Standards for Professional Appraisal Practice (USPAP), which is the industry standard all licensed appraisers adhere to. The USPAP standards are updated annually and federal and state laws governing the appraisal process change periodically as a result of new legislation or case law. The Department's appraisal guidelines are written in a manner that requires compliance with the standards and laws in affect at the time the appraisal is being written. Compliance with the most current appraisal standards and laws is expected of all licensed appraisers.

All land acquisition grants made by the Department are based on Department approved appraisals. The Bureau of Community Financial Assistance routes all appraisals submitted by grant applicants to the Department's real estate staff for review. The Department has real estate staff, including three certified general appraisers that work closely with the Bureau of Community Financial Assistance to complete appraisal reviews for all land acquisition grants.

In addition to the Department's review of all real estate appraisals the Department is required by state law to secure its own appraisal for all Stewardship grants involving land purchases greater than \$350,000 in value. The Department may also request a third appraisal if needed to determine the fair market value of a property. When two or more appraisals are obtained in support of a proposed land acquisition grant, both appraisals are reviewed and one of the appraisals is approved by the Department as the basis for awarding the grant. State law also has protections against land speculation and provides a formula by which grants are awarded in cases where the land has been owned for less than three years. In these situations, either the short tenure formula dictated in statute, or the appraised value (which ever is the lower value) is used as the basis for a grant award. Lastly, if the actual purchase price for any grant funded land transaction is less than the appraised value, the grant is based on the actual purchase price.

In conclusion, the Department's real estate staff has considerable involvement in determining the fair market value of land being purchased with cost share assistance through the Knowles Nelson Stewardship Program. The Department relies on the most current appraisal standards and pays close attention to regional real estate markets in an effort to ensure that grant awards are consistent with regional land valuations and are fair and consistent for all parties.