The Trust for Public Land conserves land for people to enjoy as parks, gardens and other natural places, ensuring livable communities for generations to come.
What is an appraisal?

An opinion of the nature, quality, value or utility of specified interests in, or aspects of, identified real estate”

- Dictionary of Real Estate Appraisal
Why do you need an appraisal?

• To make sure you are paying fair value
• May be required for government acquisitions
• Nonprofits need to protect their 501c3 status
• Often required for grants or funding sources
• May be useful in negotiations
Types of Appraisals

Formats
• Consultation
• Opinion letter
• Preliminary or summary report
• Self contained, full narrative

Standards
• USPAP
• DNR
• Yellow Book, UASFLA
• IRS

Consider purpose and end user in selecting
When to Obtain an Appraisal

Not to early
- Cost and investment of time
- Scope of project
- Can get stale

Not to late
- Surprise can crater deal and all you’ve invested
Selecting an Appraiser

• Knowledge and experience with type of property and interests being appraised (e.g., for conservation easements)
• Knowledge of local conditions
• Licensed, certified general real property appraiser
• Professional associations, e.g., MAI
• Reputation, known and respected by acquiring unit of government and grant makers
• Quality of work, get sample
• Availability
The Engagement Letter

Define the job
- Standards
- Type of report
- Land and interests appraised
- Special instructions or hypothetical conditions
- Intended users
- Deadlines
- Payment terms
- Review
What does the Appraiser Actually Do?
What does “Fair Market Value” (FMV) mean?

The “highest price estimated in terms of money that the land would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable of being used.”

– Dictionary of Real Estate Appraisal
What Does “Highest and Best Use” Mean?

The “reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.”

– Dictionary of Real Estate Appraisal
Approaches to Estimating Fair Market Value

- Sales Comparison
- Income
- Cost
- Discounted Cash Flow analysis (subdivision)
Sales Comparison Approach

- Analysis of actual sales prices of similar pieces of property
- Compare features
- Apply adjustments
- Challenge and art are in finding truly comparable sales and determining how to make the adjustments
Factors that impact the level of comparability

- Availability and use of low interest or seller financing
- Motivations of buyer and seller
- Time elapsed since the sale
- Quality and desirability of location
- Physical differences and impact on price
- Type and condition of improvements
- Highest and Best Use
The Review Process