

Ohio Public Works Commission
Clean Ohio Greenspace Conservation Program
Standards & Procedures for Appraisal Reporting
(Final Rev. 1/22/20; Effective PY15)

The Ohio Public Works Commission (the “Commission” or “OPWC”) has established the following Standards & Procedures to maintain continuity of the appraisal process for the Clean Ohio Greenspace Conservation Program. This document is required to be provided to any appraiser commissioned to perform appraisals whether a fee simple land acquisition or a conservation easement. The appraiser must, in turn, certify that they received and read these Standards and Procedures and include the certification in the appraisal’s Letter of Transmittal. OPWC will not approve the Request to Proceed submittal, required prior to obtaining property, without this certification.

The acquisition of any interest in real property that is the subject of a Clean Ohio application must be supported by an appraisal. The *Uniform Standards of Professional Appraisal Practice* (“USPAP”) defines appraisal as “the act or process of developing an opinion of value” and an appraiser as an individual “who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.” The appraisal is required at the time of application for Clean Ohio funds for review and validation by the Natural Resources Assistance Council (the “NRAC” or NRACs”).

Appraisal Requirements

An *Appraisal Report* will be used by the Program to determine the value of the interest in the property being acquired. “Value”, per the USPAP, is the “monetary relationship between properties and those who buy, sell, or use those properties.” The appraisal and *Appraisal Report* must be performed by an appraiser who is a certified general real estate appraiser holding a current certificate as issued by the Ohio Department of Commerce and is also an Ohio Department of Transportation (ODOT) Prequalified Appraiser credentialed in Appraisal. The *Appraisal Report*, *Restricted Appraisal Report*, or *Appraisal Review Report* must comply with the USPAP and these Standards & Procedures. Note that the *Uniform Appraisal Standards for Federal Land Acquisitions* (commonly known as the “Yellow Book”) does not apply to the Clean Ohio Program which is a state-funded program but may be used as applicable and appropriate. The *ODOT Valuation Formats* also do NOT apply to the Clean Ohio program.

An *Appraisal Report* or *Restricted Appraisal Report* is required with the project application in order to substantiate value. The required report type may vary from NRAC to NRAC, and it is therefore advisable to verify the requirements of the NRAC having jurisdiction over the project location prior to ordering an appraisal. Should the application be funded, a *Restricted Appraisal Report* must be converted to an *Appraisal Report*, for the same point of time, for submission to the Commission as part of the Request to Proceed submittal.

Information on the location of the ODOT Prequalified Appraiser list is on the Commission’s website at <https://www.pwc.ohio.gov/Project-Administration/Clean-Ohio>. Verify that the appraiser is credentialed in Appraisal, as applicable.

The appraisal may be ordered by any party involved with the project except for the seller of the property interest. It is incumbent upon the party commissioning the appraisal (the “Client and/or Applicant”) to clearly communicate to the appraiser the scope of the project, the reason for the

appraisal, and the name of any other intended user(s). The scope of the project must be limited to the interest and any improvements being acquired.

Appraisals are deemed valid for twelve months from the time they are performed. The date of the appraisal must be twelve months or less from the date of submission of the Request to Proceed. All appraisal expenses in compliance with these Standards & Procedures are eligible under Planning and Implementation and are reimbursable in accordance with OPWC's participation ratio.

Conservation Easement Appraisals

If a project application is for a conservation easement, then the project scope must also be for a conservation easement. Conservation easements are voluntary, recorded, perpetual agreements entered between a landowner and a governmental agency or 501(c)(3) non-profit agency, and are considered an asset that has value. The conservation easement permanently removes some of the rights to fully develop some or all of the property in order to protect the natural resources of the property. The restrictions imposed by conservation easements can vary significantly depending upon the property owner's needs. Therefore, the Client and/or Applicant must provide the easement language to the appraiser for the appraiser to clearly understand the restrictions and reserved rights outlined in the conservation easement. Appraisers may use the fair market value of the easement based on the sales prices of comparable easements. Since there is usually no substantial record of market-place sales, appraisers typically use an alternative before-and-after value analysis such as in the Yellow Book or in a publication that is accepted as an authoritative source for conservation easements such as that published by the Appraisal Institute. In this case and generally, the fair market value of an easement is equal to the difference between the fair market value of the property it encumbers before the granting of the easement and the fair market value of the encumbered property after the granting of the easement.

Conservation easement appraisals must be conducted by competent appraisers who are experienced in the complicated process of valuing a conservation easement. In addition to the ODOT list of Prequalified Appraisers, the Appraisal Institute Designated Members who have successfully passed the *Valuation of Conservation Easements* Professional Development Program are also approved for use under OPWC's Standards and Procedures. See

https://www.myappraisalinstitute.org/findappraiser/?_ga=2.69963280.1401049544.1564047667-1765104048.1564047667

Variations in Purchase Price and Appraised Value

While the Ohio Revised Code allows the Clean Ohio Greenspace Conservation Program to acquire properties above appraised value, it is critically important for the NRACs to be cognizant of any disparity between the purchase price and appraised value. The Commission may approve projects where the purchase price modestly exceeds the appraised value, if validated and approved by the respective NRAC. Justification must be provided to the NRAC for any acquisition contemplated above the appraised value but cannot exceed 5%. Any difference greater than 5% must be paid for with other funding outside the project. Under no circumstances shall an NRAC approve such a project if the known purpose is to circumvent rules or to cover other costs such as lost tax revenue. These projects will not be issued a Notice to Proceed until the purchase contract, any other necessary documentation, and qualifying appraisal are received, approved and validated by the NRAC and the Commission.

Bargain Sale as Match & Donated Property

Projects for which the purchase price is less than the appraised value, and the value will be utilized for the purpose of creating match or recognized as a gift for tax or charitable purposes, shall be considered a Bargain Sale. Any project where a Bargain Sale will be used for match will be required to have the appraisal reviewed by a second appraiser, a certified general appraiser who is a prequalified ODOT Review Appraiser.

The appraisal reviewer analyzes the information provided by the appraiser of record and prepares an *Appraisal Review Report*. The review's purpose is to confirm the appraiser's opinion of value and to ensure that the purchase price history, comparables, adjustments, and disclaimers are complete and accurate. Any discrepancies or issues noted in an *Appraisal Review Report* must be resolved prior to any issuance of a Notice to Proceed.

The NRAC may request an *Appraisal Review Report* prior to approval to validate the appraisal of projects that are using the difference between the purchase contract and appraised value of properties, because the project stands to receive points in the rating and ranking process for this match. If not requested by the NRAC, the Commission may require an *Appraisal Review Report* prior to issuing an agreement in order to validate local share or match.

Life Estate

The Ohio Revised Code allows the Clean Ohio Greenspace Conservation Program to acquire properties with life estates. In a life estate, two or more people each have an ownership interest in a property, but for different periods of time. The person holding the life estate (the "Life Tenant") possesses the property during his or her lifetime. The other owner (the "Remainderman") has a current ownership interest but cannot take possession until the death of the life estate holder.

Timber Value

If applicable, the stumpage value of timber (the "Timber Value") may also be considered as a credit in a bargain sale and be used for match. A qualified forester or appraiser may perform a timber appraisal to determine the on-site inventory and estimate of stumpage value of timber on the property. The stumpage value of timber generally considers the volume of timber on the property, the species composition, the quality, and other related factors to determine the current Timber Value.

If using Timber Value as bargain sale match, it is the Client and/or Applicant's responsibility to provide this information to the property/land appraiser (and appraisal reviewer if applicable). The appraiser uses this information to determine the impact of the Timber Value on the overall property/land value appraisal and reconciles the Timber Value within the *Appraisal Report*.

The Ohio Public Works Commission recommends using an individual certified by the Association of Consulting Foresters of America, Inc. (ACF) or the Society of American Foresters (SAF). Both associations have online search queries:

ACF: https://www.acf-foresters.org/ACFWeb/Directory/ACFWeb/Find_a_Forester/Directory.aspx

SAF: <https://osafdirectory.com/> (Includes identification of SAF certified foresters and lists the services they provide.)

Erroneous Appraisals

Appraisals with minor technical or formatting flaws can be corrected relatively easily without major ramifications. However, grossly inaccurate or purposefully misleading overstatements of value are indeed serious and will not be tolerated by any party to the transaction. Such appraisals can erode the public's trust in general, and undermine the legitimacy of the Clean Ohio Greenspace Conservation Fund Program.

Appraisals suspected of inaccuracy are subject to an *Appraisal Review Report* at the sole discretion of the Commission. Appraisers who have prepared fraudulent appraisals will be prohibited from submitting future appraisals to the OPWC for the Program and will be reported to the Ohio Department of Commerce, Division of Real Estate and Professional Licensing.

Influencing Appraisals

While it is very important for the Client and/or Applicant to stay at arm's length from the valuation process to avoid influencing the value, it is also important for the Client and/or Applicant to properly inform appraisers of all material facts that may affect the market value of the property. All appropriate information should be disclosed whether it would tend to increase or decrease the market value of the property. The Client and/or Applicant should inform the appraiser of such things as allowable uses under zoning, presence or absence of wetlands, terms of previous or contemplated purchase contracts, previous sale data, and any other relevant information.

Reviewing Appraisals

Upon completion of an *Appraisal Report*, the Client and/or Applicant should review all aspects of the report. Comparable sales should be reviewed very carefully by the Client and/or Applicant to verify the sales are, in fact, comparable to the subject property. The NRAC and Commission will also thoroughly review appraisals for completeness and to verify there are no substantial concerns.