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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

MANUAL TRANSMITTAL SHEET

9310 - APPRAISAL OF REAL PROPERTY

1. Explanation of Material Transmitted: This release completely revises BLM Manual 9310 to incorporate intervening standards and guidelines for appraisals and professional standards and ethics for appraisers. These changes are a result of the Federal Land Exchange Facilitation Act, 43 U.S.C. 1716 (FLEFA) and implementing regulations; Title XI, Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), 12 U.S.C. 1331; and a change in the BLM Manual 1203 delegation. FLEFA directed the Departments of Interior and Agriculture to develop and implement comprehensive, uniform standards for appraisals used in land exchanges. Title XI, FIRREA, directed States to promulgate rules governing the certification and licensing of real estate appraisers. BLM has adopted a policy that appraisers accepting BLM appraisal assignments must be state certified. The delegation of authority was revised to clarify the role and responsibilities of the authorized officer and the reviewing appraiser. The authority to approve market value can only be redelegated from the State Director to the lead state appraiser or other qualified BLM review appraisers.
2. Material Superseded: Manual pages superseded by this release are listed under "REMOVE" below. No other directives are superseded.
3. Filing Instructions: File as directed below.

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(Total: 9 sheets)

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Assistant Director, Minerals, Realty and Resource Protection

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.01

.01 Purpose. This Manual establishes real estate appraisal policy for estimating the market value of real property and estimating the market rent for use of public lands. The policies set forth criteria for documentation of appraisals, minimum standards for review of real property appraisal reports, and minimum qualifications for appraisers. This Manual covers the appraisal of land and interests in land including timber, mineral estate, and water rights to the extent they contribute to the value of the whole property. It is not applicable to appraisals of severed mineral or timber estates. Specialized guidance is available in other BLM manuals regarding appraisals prepared for timber sales, mineral leasing, mineral material disposal, or lands which are predominantly valuable for mineral exploration and development.

.02 Objectives. The real property appraisal process is designed to:

A. Provide a credible and impartial procedure for estimating market value of real property, or interests therein.

B. Provide reasonable justification and support for market values used by BLM.

C. Assure the public that appraisals and appraisal reviews are performed by qualified appraisers.

.03 Authority. Authorities include, but are not limited to:

A. Federal Land Policy and Management Act of 1976, as amended (FLPMA) (43 U.S.C. 1701 et seq.), including amendments pursuant to the Federal Land Exchange Facilitation Act, (P.L. 100-409), August 20, 1988. FLEFA provides uniform criteria for land appraisals which reflect nationally recognized appraisal standards and establishes procedures for resolution of appraisal disputes.

B. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4601, et seq.). This act established standards for the appraisal of property for Federal land acquisitions by both purchase and condemnation.

C. Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Title XI (103 Stat. 183; 12 U.S.C. 1331). This act requires the establishment of state programs for the licensing and certification of appraisers.

D. Lake Tahoe Basin - U. S. Land, Santini-Burton, Public Law 96-586.

E. Section 28 of the Mineral Leasing Act, as amended (MLA), (30 U.S.C. 185), pertaining to oil and gas rights-of-way.

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.01.F.

F. Alaska National Interest Lands Conservation Act, as amended (ANILCA), (16 U.S.C. 3101, et seq.).

G. 43 CFR 2100 - Acquisitions; 2200 - Exchanges; 2500 - Disposition, Occupancy and Use; 2660 - Right-of-Way Under the Mineral Leasing Act; 2700 - Dispositions Sales; 2720 - Conveyance of Federally-Owned Mineral Interests; 2800 - Rights-of-Way;General; 2900 - Use, Leases, and Permits.

H. 49 CFR 24.103 and 24.104 - Government -wide regulations promulgated by the Department of Transportation implementing the Uniform Relocation and Real Property Acquisition Policies Act of 1970.

I. Department Manual (235 DM 1) delegation of the Secretary's Authority to the Director.

J. Manual Section 1203, Delegation of Authority to State Directors.

.04 Responsibility.

A. The Director and Deputy Director, under broad Departmental guidance are responsible for ensuring compliance with statutory authorities, regulations, Departmental policies, and professional appraisal standards.

B. The Assistant Director, Minerals, Realty & Resource Protection is responsible for:

1. Ensuring the development of real property appraisal documentation and review standards.
2. Ensuring compliance with Federal laws and Departmental and BLM policies.
3. Ensuring effective administration of the Bureau appraisal function.

C. The Lands and Realty Group Manager with the assistance of the Washington Office Senior Specialist-Appraisal is responsible for:

1. Efficiently integrating the appraisal function into the land acquisition, exchange, and use authorization process
2. Establishing BLM documentation standards for real estate appraisals and related material.
3. Establishing BLM qualifications for appraisers.

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.04.C.4.

4. Setting minimum BLM appraisal review standards.
5. Establishing rental schedules through regulations for lands and realty actions using appraisal information.
6. Facilitating development of or providing appraisal training designed to improve the BLM's appraisal program.
7. Conducting periodic management and technical evaluations assessing the appraisal function and adherence to standards, qualifications, and guidelines.
8. Providing managerial and technical assistance to State and Field Offices relating to the appraisal program.
9. Promoting professional development of the BLM appraisal staff.

D. Each State Director, within their jurisdictional areas, is responsible for:

1. Delegating authority to a qualified BLM review appraiser(s) to approve or recommend market values for agency use
2. Maintaining appraisal expertise for the valuation of real property.
3. Evaluating the quality of appraisal services provided by staff.
4. Ensuring that appropriate training is available for employees involved in the appraisal function, including the training necessary to meet State certification requirements.
5. Ensuring that all appraisal reports used in a BLM land action are recommended or approved by a qualified BLM review appraiser.
6. Ensuring that appraisal reports provided during the land exchange bargaining process are reviewed by a qualified BLM review appraiser.
7. Ensuring that appraisers and reviewers are free from pressures to reach predetermined values.

E. Each Field Manager, within their jurisdictional areas, is responsible for:

1. Making written requests to the lead state appraiser or other designated reviewer for appraisals or appraisal related services on a timely basis. Such requests should specify the purpose, function, and intended users of the appraisal, legal description of the property to be appraised, the estate to be appraised, current information as to the status of title, ownership, and information concerning the presence of hazardous substances, and the presence of potentially valuable resources, including timber and minerals.

2. Requesting appraisal consultation services early in a land tenure action including consultation on the valuation implications of parcel configurations for land exchanges, the number of appraisals or reviews to be procured, and additional technical studies that may be necessary to complete or improve the quality and reliability of the appraisal report.

3. Request the appropriate appraisal services ahead of time (e.g. oversight, coordination, review) from the lead state appraiser for appraisals to be procured independently by proponents or property owners.

F. Each Lead State Appraiser within their assigned area, is responsible for:

1. Planning, organizing, and providing program leadership for the appraisal function.

2. Setting operational standards and reporting requirements within Bureau guidelines.

3. Conducting appraisal workshops, facilitating on-the-job training, and conducting periodic management reviews in those offices where appraisal staffs are located.

4. Serving as the Contracting Officer's Representative or working with the Contracting Officer to attract and obtain qualified fee appraisers.

5. Effectively coordinating the appraisal process in a professional and business like way.

G. Each Qualified Review Appraiser conducting a review of an appraisal report is responsible for:

1. Assuring each appraisal reviewed meets applicable professional and agency standards and policy.

2. Consulting, when necessary, with qualified persons to obtain timber, soil, water, and mineral resource information involving the appraisal of those resources.

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.04.G.3.

3. Depending on the delegation of authority, either approving a value for agency use or recommending a supported opinion of market value or rent to the lead state appraiser or to the State Director.

4. Providing clear written instructions to fee and staff appraisers and discussing those instructions in a pre-work meeting or telephone conference as needed.

5. Handling justified comments and opinions regarding the appraisal or reviewer's opinion of value.

.05 References. References include but are not limited to:

A. *Uniform Appraisal Standards for Federal Land Acquisitions* (UAS), as amended. Interagency Land Acquisition Conference.

B. *Uniform Standards of Professional Appraisal Practice* (USPAP). Washington, D.C. The Appraisal Foundation, as amended.

.06 Policy.

A. Use of Qualified Appraisers. All fee appraisers providing valuation services in support of agency programs will hold a state certification and be trained and experienced in appraising property similar to the property involved in the appraisal assignment. All staff appraisers will either hold a state certification or be actively working toward achieving state certification.

B. Compliance with Applicable Standards. BLM appraisers will comply with applicable Federal and generally recognized professional appraisal standards. Applicable standards include the USPAP and to the extent appropriate the UAS. The appraiser and review appraiser will determine, with appropriate support and explanation if needed, the applicability of the guidance on a case-by-case basis.

C. Review Authority. Real estate appraisals used in a BLM transaction shall be reviewed by a BLM review appraiser. Review reports prepared by other than a BLM review appraiser shall be reviewed and approved, by a BLM review appraiser.

D. Contracting Officer's Representative (COR) for Appraisal Contracts. Only qualified BLM review appraisers will serve as the COR for appraisal contracts.

E. Market Transactions Involving Natural Resource Values. Market value assumes an open, competitive market. Highest and best use assumes a property has value for a market derived use. Value must be based on reasoning and assumptions that are supported by comparable transactions having a similar highest and best use. Sales to developers intending to retain land for open-space protection or mitigation may be considered by appraisers if they reflect normal competitive economic transactions and are consistent with the highest and best use of the property. Also, sales to private conservation organizations, who intend to preserve or conserve the property without passing ownership to the government, may be considered if they were purchased in competition with other private buyers. In such cases, the specific motivations of the buyer and the circumstances surrounding the sale must be known in order to judge whether the sale is similar to the subject. Transactions involving, private parties where both buyer and seller are knowledgeable and financially motivated are the best sales for use by the appraiser.

F. Early Consultation. When undertaking a land tenure action, managers and realty staff will consult early with the appropriate appraisal staff, especially on sensitive or high-profile cases. For land exchange proposals, consultation will be documented in the Exchange Feasibility Report. Items to consider during the consultation process may include the need for additional technical and professional expertise, the property's configuration, its effect on the overall value estimate, and discussion or documentation regarding what is known of land market area trends.

G. Highest and Best Use Different From Current Use. If the appraiser concludes that the property's highest and best use differs from its current use, that opinion must be supported by a thorough analysis of the relevant factors. The appraiser must justify that the proposed change in zoning is more probable to occur than not. (See .24)

H. Use of Appraisal Waivers. An appraisal report is not necessary for a federal acquisition if the manager concurs that the amount offered is fair and reasonable, the value is less than \$2,500, and the owner agrees to the offer. The BLM's offer must be reasonably supported and cannot diminish any protections provided under 49 CFR Part 24.

This policy is also extended to include estimation of the rental value of leases and permits of \$250 annually or less. If the underlying market land value is \$2,500 or less, rents can be estimated by means other than an appraisal. A determination that a property qualifies for an appraisal waiver may be made by a BLM appraiser or by a realty specialist approved by the lead appraiser to make the determination. The responsible field manager must concur in the determination in writing. If a valuation of the property is made by a qualified appraiser, it must be done according to minimum USPAP standards.

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.07 File and Records Maintenance.

A. Case File Involved. The original appraisal and review report is transmitted to the authorized officer. It is the responsibility of the project manager or lead realty specialist to see that the appraisal report is placed in the serialized case file (see Manual Section 1274). For appraisals involving several tracts, the original goes to the first serialized case file. Subsequent use of such appraisals and review reports is made by memorandum which should reference the case file in which the original is filed.

B. Records Retention. Appraisal and review reports will be retained in, or readily available to, Bureau appraisal offices. An appraisal workfile must be retained in accordance with the record keeping provisions of the USPAP. Current USPAP requirements are that records be retained for at least five years after preparation or at least two years after final disposition of any judicial proceedings in which testimony was given, whichever period expires last.

C. Changes to the Original. When corrections, updates, or revisions are necessary, the appraiser will furnish corrected, revised, or supplemental pages or portions of the appraisal or appraisal review report for attachment to the record copy. Where a case file is involved, the new pages shall be filed with the original appraisal in the serialized case file.

D. Confidential Information. Information contained in appraisals or appraisal review reports may contain confidential or proprietary business information and should be appropriately managed in accordance with Manual Section 1273, Vital Records and Manual Section 1278, External Access to BLM Information. Confidential or proprietary information in an appraisal report should be redacted before releasing the report under the Freedom of Information Act or for public review.

.08 Coordination with Other Agencies.

A. The BLM review appraiser will coordinate appraisal review responsibilities when the transaction involves other state, local or Federal agencies.

B. The BLM review appraiser will be responsible for managing the appraisal process when the the proposed land exchange involves BLM administered land and the exchange benefits another agency.

.09 Ethics

A. Neither fee nor staff appraisers shall have any monetary interest in the property appraised, or the outcome of the Government transaction.

B. A person cannot serve as both the appraiser of property involved in the prospective transaction and an officer of a corporation benefitting from the Federal transaction.

C. Prior to accepting an appraisal assignment, a fee appraiser must disclose any potential conflict of interest to the review appraiser, or Contracting Officer's Representative, if not the same individual. This includes any business or contractual relationship regarding the property appraised or other similar transactions involving parties to the proposed land exchange. If the disclosures are not made at the time of the assignment, they must appear prominently in the letter transmitting the appraisal report.

D. Attempts to coerce or pressure an appraiser or reviewer to reach a predetermined conclusion will not be tolerated. Staff appraisers shall notify the review appraiser, and contract appraisers shall notify the Contracting Officer's Representative, of any attempts to unduly influence the appraiser. The appropriate review appraiser shall seriously consider whether such attempts have affected the appraiser's impartiality or created bias, and whether the appraisal should be assigned to another appraiser.

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.1 Appraisals, General

.11 Appraisal Uses. Once reviewed and approved, an appraisal report may be used by the authorized officer for the following transactions:

- A. Rental payment for the use of Federally-owned real property.
- B. Opinion of market value for the sale of specified public lands.
- C. Opinion of market value for lands in a land exchange.
- D. The amount of the agency's offer to acquire non-Federal property.

.12 Appraisal Uses Not Covered. This Manual is not directly applicable to the preparation of appraisals establishing:

- A. Values for timber sales. Refer to manual section 9350, Forest Product Appraisal.
- B. Values for mineral or oil and gas leasing purposes. Refer to BLM Manual Section 3021, Lands Prospectively Valuable for Leaseable Minerals.
- C. Values for mineral material disposal. Refer to BLM Manual Section 3630, Mineral Material Appraisal.
- D. The valuation of real property which is predominantly valuable for mineral exploration or development. Refer to BLM Manual Sections 3890, Mineral Investigations, 3891, Validity Examinations, and 3070, Mineral Economic Evaluation.

.13 Release of Appraisal Information

A. The appraisal and review reports are prepared for use by BLM in setting value and reaching agreement on realty transactions. They are internal documents and are not subject to public release until the BLM has taken an action utilizing the information in the report. The authorized officer may release an appraisal or review report earlier on a case-by-case basis. In the event of a condemnation where an action has been filed, contents of the appraisal report should not be divulged without authorization from the Department of Justice

B. Where an appraisal has been used as part of an official decision, the appraisal must be made available for public review as part of the administrative record.

C. If the appraisal or review report has been furnished to anyone outside of the Federal government, it has become a public document. Exceptions to this include 1) negotiations within the scope of an exchange agreement prior to publication of the Notice of Decision, 2) purchase negotiations with a landowner, and 3) where a modified direct sale is being pursued under §203 of FLPMA.

D. Proprietary or confidential information contained in the appraisal/appraisal report should be released or withheld in accordance with the provisions of the Freedom of Information Act (See Manual Section 1278).

.14 Appraisal Services. BLM's appraisal staff provides a wide range of advisory services as well as specific appraisals. Services include report cost estimates, preliminary value estimates, statements of value, multi-tract appraisals, valuation schedules, appraisal waivers for low-value acquisitions and leases, as well as market value appraisal reports. Realty staff should discuss valuation related needs with the appropriate review appraiser when requesting appraisal services.

A. Value Consultations. The purpose of a value consultation is to provide early and continuous advice to management and staff regarding the economic and business implications of the proposed land action. Value consultation should occur prior to the exchange feasibility report or development of a project plan. Appraisers may be asked to prepare a "Value Consultation" section of the feasibility report (see .06F). A Value Consultation may include, but is not limited to, the following:

1. Effects on value of the proposed configuration, i.e., size, land pattern, relation to infrastructure, etc.
2. Suggested alternatives that reflect sound business practice and/or the equitable treatment of both parties.
3. A summary or sampling of area sales information.
4. An estimate of the development potential when the properties might be in demand for that use.
5. Observation of any apparent curable deficiencies in the properties and an estimated cost-to-cure. For example: no legal access, legal encumbrances, zoning or other restrictions, etc.

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.14.A.6.

6. A discussion addressing the value impacts of the proposed actions on adjoining or related properties, especially remaining public lands. It may address whether the proposed action will restrict access or other aspects of remaining public lands, or whether an easement might be reserved, or other actions taken, to protect the remaining public lands.

7. A discussion addressing the value implications of known or anticipated off-site actions, for example: developing infrastructure or other improvements or area features; impending or anticipated development of other area properties that may change the nature of the subject area; changes in zoning or other legal aspects of the property/area; etc.

B. Preliminary Value Estimates. The review appraiser may arrange to obtain preliminary value estimates. These estimates are preliminary to obtaining a Complete Appraisal and should assist in determining the feasibility of an exchange. The value estimate should be consistent with the intended use and contain limiting conditions affecting its reliability. A preliminary estimate may be a limited appraisal or consulting service depending on the intended use. Typically value is expressed as a range of value. Preliminary estimates must comply with USPAP.

C. Continuing Case Coordination. As the Bureau becomes involved in increasingly complex land transactions, the valuation requirements become similarly complex. Lead state appraisers should manage these complex valuation projects in concert with the overall case/project management and advise realty staff/management on valuation developments that affect the project. Conversely, as projects or cases progress, realty specialists and land managers should keep appraisal staff informed of developments that may affect the valuation process.

D. Technical Support Services. In order to improve the quality and reliability of market value opinions, it may be necessary for the review appraiser to obtain for special services early in the appraisal process. This is particularly true in high-profile, controversial cases or if disagreements regarding appraisal assumptions that affect value are anticipated. Services may include second appraisals, contract reviews, or engineering, cost, and planning studies. Other services may include soil, slope, land-use, planning, market sale, highest and best use analysis, mineral reports, timber cruises, and legal and title opinions. Early in the project planning process, the realty specialist, field manager, and review appraiser should jointly address the advisability, time, cost, and benefit of such additional services.

E. Written Appraisal Instructions. The review appraiser may provide written appraisal instructions to the appraiser clarifying, the rights and interests involved in the assignment, and the valuation scenarios to be considered in the appraisal reports. The instructions can be included in the statement of work, assignment letters, or at other times when appropriate. The instructions should reflect normal market conditions, management decisions, and reduce potential confusion and delays in preparing the appraisal report.

.2 Appraisal Standards and Reporting. Appraisal reports vary in format and level of detail. Generally the documentation in an appraisal report will be commensurate with the complexity and detail necessary to assure persons relying on the report that the opinion of market value is reasonably supported pursuant to professional appraisal standards.

.21 Documenting Applicable Standards. Appraisal reports and review reports shall meet regulatory and applicable standards. Applicable standards include:

- A. 43 CFR 2200 for land exchanges
- B. The *Uniform Appraisal Standards for Federal Land Acquisitions* (1992)(UAS);
- C. The Federal Uniform Relocation and Assistance Act (42 U.S.C. 4601 et seq.) and implementing regulations (49 CFR Part 24);
- D. The *Uniform Standards of Professional Appraisal Practice*. (USPAP),
- E. Instructions contained in statutes.

.22 Priority of Appraisal Standards. Federal regulations take precedence over non-regulatory guidance. Both 49 CFR Part 24 and 43 CFR 2200 provide that the *Uniform Appraisal Standards for Federal Land Acquisitions* are applicable to the extent appropriate. Although the regulations do not directly reference the *Uniform Standards for Professional Appraisal Practice*, they are minimum standards for use by qualified appraisers. Where there are exceptions or conflicts between regulatory and non-regulatory standards, regulatory requirements will prevail. If necessary, the Jurisdictional Exception Rule of USPAP may be applied.

.23 Documenting Highest and Best Use Determinations Contrary to Existing Use or Legal Restrictions

A. If the appraiser's opinion of highest and best use is different from the current use of the property, the appraiser must provide clear and supportable explanation documenting the reasonable probability of the likely change in use.

B. If the appraiser's opinion of highest and best use is not allowed under current zoning, but there is a reasonable probability that a change in zoning could be obtained, the appraiser must explain and justify the possible zoning change, including the time and expense involved and the risk associated with not getting the zoning change.

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.23.C.

C. The appraiser's opinion of highest and best use must be supported by a careful analysis leading to the conclusion. The facts and factors considered, taken as a whole, should support the appraiser's conclusion that the highest and best use chosen is the most probable scenario. To the extent the following are relevant to the appraisal assignment, the appraiser's report shall:

1. Assess the credibility of reports, recommendations, and statements made by zoning officials, administrators, and staff regarding the likelihood of obtaining a change in zoning.
2. Evaluate past actions of zoning officials regarding the prospect of re-zoning nearby or similar properties.
3. Analyze neighborhood attitudes regarding re-zoning applications and the effects of these attitudes on zoning changes.
4. Analyze provisions of applicable land use planning documents as well as their age and continued applicability.
5. Evaluate plans for other competing developments in the area and the extent they may impact the value of the appraised property.
6. Express an opinion as to whether re-zoning or development is likely to occur in the immediate, near term, or future time frames.
7. Analyze the sale of similar properties having potential for a change in zoning.
8. Express an opinion as to the most likely type and density of development.
9. Assess the time and cost associated with the extension of roads, utilities, and services as well as off-site improvements necessary to support the anticipated use.

D. As with any highest and best use analysis, the appraiser must consider and document the spectrum of probable uses that are legally permissible, physical possible, and financially feasible and logically develop how the most productive use was chosen.

.24 Appraisal Review Updates.

A. Validity Period. Appraisal opinions are as of a certain fixed date. As a general rule, approved or recommended values are valid for up to six months to no more than one year from the date of the value opinion. The length of time before the approved or recommended values should be updated depends on local market conditions. Changing market conditions affecting the real estate or the contributing resources such as timber, minerals, or other economic conditions may result in a shorter validity period. The review appraiser should provide advice as to the expected period of time the approved or recommended value should be acceptable. At the end of this validity period, the appraisal review must be updated. An update may require updating the appraisal report or obtaining a new appraisal. Note that in the case of land exchanges, if a binding exchange agreement (H-2200-1, Chapter 10) has been signed, appraisal updates are no longer needed.

B. Reasons for Updating. Appraisals are updated in light of pertinent new information or changes in market conditions since the last appraisal. The opinion of value may or may not change due to the updating action. Changes should be fully supported by market evidence relevant to the property appraised. Additional material updating the original appraisal report must be reviewed by the appropriate review appraiser and referenced in a supplemental review report.

.3 Appraisal Review. A qualified review appraiser will review appraisal reports and take into consideration relevant market information to determine if the report is logical and reasonably supported.

.31 Delegation of Authority. Authority to approve market value is delegated to the State Director. This authority can be redelegated to the lead state appraiser or other qualified BLM review appraiser only. A contractor or a reviewer from another agency does not have any approval authority and therefore can only recommend an appraisal report to a BLM reviewer or the State Director.

.32 Review Authority.

A. All BLM review appraisers must have delegated authority to approve (or recommend) market value from the State Director of the state(s) within which they are reviewing appraisal reports. This normally occurs through the standard delegation of authority for the lead state appraiser, but if a reviewer is other than the lead state appraiser, or is a lead state appraiser operating in another state, specific written delegation must be obtained.

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.32B

B. The standard delegation to lead state appraisers gives the holder authority to approve market value for all actions involving sale, exchange or conveyance of public lands and interest in lands, and acquisition of private property for a federal project. Specific review and administrative delegations may be made to other qualified BLM reviewers for specific projects or geographic areas. A State Director may also wish to retain approval authority in a specific situation. In this instance, the State Director will delegate the authority to recommend values only. For those special situations, the BLM review appraiser's report is transmitted to the State Director rather than to the authorized officer for the realty action.

C. The lead state appraiser may have another qualified appraiser prepare a review report under his or her supervision. This may be either a staff appraiser or a fee appraiser. In this case, a cover memorandum prepared by the lead state appraiser must accompany the review report stating that he or she agrees the level of review performed is adequate and concurs in the conclusions reached by the appraiser. The approval or recommendation should clearly reflect the extent of the review undertaken.

D. Where BLM is acquiring land in an exchange for the benefit of another federal agency, the BLM will retain responsibility for the appraisal review.

.33 Review Standards. Generally, BLM appraisal reviews will comply with Standard 3 of USPAP. Additionally, the review shall ascertain whether the appraisal is commensurate in scope and detail with the action for which it was prepared, and whether it complies with supplemental BLM appraisal standards, policies, and instructions. As a supplemental agency standard, the review appraiser shall specifically address the adequacy of the highest and best use analysis.

.34 Review Report. The review appraiser is responsible for forming an opinion as to whether the analyses, opinions, and conclusions reached by the appraiser in the report are appropriate and reasonable and reporting this opinion to the authorized officer. The review statement should be concise, clear and informative. The review appraiser prepares the review report supporting the approval (or recommendation) of value. Reports may also be disapproved or returned for reconsideration. The reasons for disapproval must be included in the review report.

.35 Report to the Authorized Officer or Field Manager. The review report must be transmitted to the authorized officer responsible for the realty action. Copies may be sent to other appropriate points of contact. A letter of transmittal may also be used to inform the authorized officer regarding any essential information that may impact the manager's decision.

A. Transmittal Letter. When appropriate, a transmittal letter should be prepared. The letter should identify the property appraised, the approved or recommended value, and when the approved or recommended value should be updated. The letter should also contain a disclaimer that if there are changes in the rights appraised or the acreage included in the transaction, the value opinion may no longer be valid. The manager should be advised to consult the reviewer if any such changes occur.

B. Identification of Issues. The purpose of the transmittal letter is to identify important, unusual, or atypical issues or concerns that the authorized official should be aware of. For example:

1. Any extraordinary or hypothetical appraisal assumptions;
2. A description of other recent appraisals of the property, an opinion regarding the adequacy of those appraisals, and their conclusion of value;
3. The adequacy of the appraiser's analysis supporting the conclusion of highest and best use when different from the actual current use;
4. A recent sale of the property appraised at a price that is substantially different from the appraised value;
5. A reviewer's estimate of market value differs from the one concluded to in the appraisal report being reviewed;
6. Whether appurtenant rights such as water rights or access rights were valued in the appraisal.
7. Meetings with property owners, actions taken in response to comments or observations made by parties to the proposed transaction, or additional information in support of the reviewer's approval or recommendation.

.4 Appraiser Qualifications. Both BLM and contract fee appraisers must meet minimum qualifications demonstrating sufficient skill and experience to credibly complete a given assignment. Agency appraisers are encouraged to be active members of and to hold a professional appraisal designation from a sponsor organization of the Appraisal Foundation.

.41 State Certification. Fee appraisers accepting lands and realty appraisal assignments shall hold general certification under applicable State law. If the Lead State Appraiser finds it to be in the government's best interest, temporary practice permits may be acceptable for specific assignments on a case by case basis. BLM appraisers shall be state certified or following an apprenticeship program which will result in state certification. BLM appraisers need only be certified in one State or territory to perform real estate appraisals as Bureau employees in all States and territories.(OMB Bulletin No. 92-06)

.42. Grace Period and Costs of State Certification. Journeymen staff appraisers and reviewers who are not yet state-certified will reach agreement with their supervisors on a plan to obtain the necessary training and experience to become state certified within a reasonable period of time. The plan will be incorporated into the appraiser's Employee Development Plan. The certification need not be obtained from the State in which the employee is stationed. The Bureau shall reimburse its appraisers for the application fees, testing fees, and periodic renewal fees necessary for State certification.

.43. Education and Experience Requirements. Education and experience requirements differ somewhat from State to State. All BLM and contract appraisers must comply with the minimum requirements established by the Appraiser Qualifications Board (AQB) of the Appraisal Foundation for the certified general real property appraiser category.

A. Qualifying Education and Qualifying Examination. Current requirements of the AQB call for not less than 180 hours of classroom education including 15 hours of Uniform Standards of Professional Appraisal Practice plus a qualifying examination.

B. Qualifying Experience. Current AQB requirements require 3000 hours of appraisal experience during at least a 30 month period.

C. Continuing Education. According to the AQB, state certified appraisers must complete an average of at least 14 hours of continuing appraisal education annually.

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.44 Professional Designations. Several professional appraisal organizations recognize advanced levels of appraisal training and experience with a "designation" signifying the member has completed a rigorous course of study, possesses extensive experience, and has successfully completed a comprehensive examination. Designations that do not involve a comprehensive examination are not recognized by the BLM. BLM will assist staff appraisers in obtaining and maintaining their professional designations. (See IB No. 99-108, Membership and Participation in Professional Societies, dated April 2, 1999.)

.45 Types of Appraisers. Four types of appraisers, each with varying levels of skill and experience, are recognized within the BLM.

A. Lead State Appraiser. The lead state appraiser is a qualified review appraiser with delegated authority to approve market values for agency use who manages the State's real property valuation program. This includes establishing administrative procedures, procuring appraisal services, and performing appraisal reviews. (See Section .04 F. above.) Titles for the lead state appraiser vary from state to state with the most prevalent being Chief State Appraiser.

B. Qualified Review Appraiser. A qualified review appraiser is a full-time qualified appraiser, either fee or staff, who has the training and experience to perform reviews in a competent fashion. A qualified BLM review appraiser may also have the delegated authority to approve (or recommend) market value for agency use. This authority may have specific geographic or programmatic limitations.

C. Qualified Appraiser. A qualified appraiser is an appraiser who is state certified and trained and experienced in appraising property similar to the property involved in the appraisal assignment. Qualified appraisers are expected to meet continuing education requirements for state certification.

D. Apprentice Appraiser. New appraisers must be assigned to a qualified BLM appraiser in order to gain appraisal experience. They should have an approved training and work development plan that will lead to state certification within five years of entry as an apprentice appraiser. As a minimum, new appraisers are expected to have successfully completed 75 hours of appraisal education including 15 hours of Uniform Standards of Professional Appraisal Practice before they can independently prepare appraisal reports. The lead state appraiser will review the progress of each apprentice appraiser periodically and determine the level of difficulty of assignments for which the apprentice is qualified.

.5 Appraisals on Federal Acquisition Projects. Appraisals for acquisition must comply with provisions of the Uniform Relocation and Real Property Acquisition Policies Act of 1970, the common rules adopted by Federal agencies (49 CFR 24.103 and 24.104), and the *Uniform Appraisal Standards for Federal Land Acquisitions*, 1992.

.51 Implementation. BLM requires that for acquisition cases:

- A. Real property shall be appraised before the initiation of negotiations with an owner.
- B. The owner or a designated representative shall be given an opportunity to accompany the appraiser during the inspection of the property.
- C. Prior to the initiation of negotiations, the review appraiser shall approve an amount believed to represent market value. The amount offered the property owner shall not be less than the approved market value estimate . The value approved by the review appraiser shall, when appropriate, separately state estimated damages and/or special benefits to the remaining property.
- D. The appraisal and the approved estimate of market value shall disregard any decrease or increase in the value of the real property prior to the date of valuation caused by the project for which such property is acquired, or by the likelihood that the property would be acquired for such project , other than that due to physical deterioration within the reasonable control of the owner. .
- E. The amount approved by the review appraiser shall include the value of any uneconomic remnant which upon completion of the project would have little value or utility to the owner.
- F. The amount approved by the review appraiser shall include the value of any tenant-owned improvements located on the property to be acquired or adversely affected by the proposed project. The market value shall be based upon the contributory value of the buildings, structures, or improvements to the property acquired or their salvage value, whichever is greater.
- G. Appraisals may be waived if the estimated market value is \$2,500 or less, based on a review of available data. (See .06 H. above.)

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.6 Appraisals Involving Land Exchanges. Appraisals for land exchanges must comply with the provisions of 43 CFR 2200 and with the *Uniform Appraisal Standards for Federal Land Acquisitions*, 1992, to the extent appropriate.

.61 Land Configurations for Exchanges. Land exchanges often involve unique valuation assignments not typically found in the private market. This situation arises as a result of the location, size, shape, and access to lands involved in the proposed transaction. The configuration of the land exchange is ultimately a Bureau decision made in consultation with the other property owner.

A. Appraisal of Multiple Tracts in Assembled Land Exchanges. Land exchanges, particularly assembled land exchanges, will often have multiple dispersed tracts on one or both sides of the exchange. The FLEFA regulations provide that when lands under different ownerships are offered in an assembled land exchange, these lands will be appraised separately, if so stipulated in the agreement to initiate the exchange (43 CFR 2201.3-2(a)(5)). In order to maintain equity on both sides of the exchange, the regulations further provide that both the federal and non-federal lands are to be appraised in a similar manner. The Agreement to Initiate an exchange should discuss the approach for how to appraise the property. The review appraiser should be directly involved in outlining the appraisal assignment and developing written appraisal instructions.

B. Appraisal of Multiple Tracts In Non-Assembled Land Exchanges. The exchange regulations (43 CFR 2201.3-2(b)(5)) say that it is generally not acceptable to add the individual values of the fractional interests or various estates to achieve the value of the whole, unless there is market evidence the individual values contribute to the value of the whole. The review appraiser must make this determination and provide appropriate supplemental instructions to the appraiser as to how the parcels are to be appraised.

C. Bulk Discounts. A “bulk discount” has at times been applied to scattered parcels being appraised for one transaction. This is based on the assumption that a seller might allow a discount in recognition of the administrative time and expense savings of one versus many transactions. While perhaps intuitive, bulk discounts should not be applied without adequate and demonstrated market support.

.62 Exchanges at Approximately Equal Value. When the expected value of the Federal lands to be traded is not more than \$150,000, a qualified appraiser may prepare a Statement of Value documenting the conclusion that the Federal lands do not exceed \$150,000 in value if the following conditions are met as determined by the authorized officer: 1) the Federal and non-Federal lands are substantially similar in location, acreage, use and physical attributes; and 2) there are no significant elements of value requiring complex analysis (see 43 CFR 2201.4). The statement of value must meet minimum USPAP standards. Generally the assignment is a limited appraisal reported in a summary appraisal format. No review is required, although the appraiser and lead state appraiser should coordinate Statement of Value preparation to ensure consistency and avoid duplication of work. In the event of a dispute in value, a Complete Appraisal must be prepared and reported in either a Self-Contained or Summary Appraisal Report Format.

.63 Bargaining. The appraiser and review appraiser may serve as advisors to the authorized officer during the bargaining process. The ultimate control and responsibility for the results of bargaining, however, rest with the authorized officer for the exchange. The bargaining process is outlined in BLM's Land Exchange Handbook (H-2200, Chapter 8) and is provided for by regulation (43 CFR 2201.4). Appraisals prepared for consideration in the bargaining process shall be reviewed by a BLM review appraiser. Appraisal consultation in support of bargaining shall cite all appraisals relevant to the property and shall identify the competitive range of value appropriately supported in the appraisals.

.64 Appraisal Review and Coordination.

A. Fee Appraisals Paid for by Private Parties. Land exchange proponents or landowners anticipating a sale or trade to the government sometimes procure fee appraisals to expedite the transaction or balance costs. Such appraisals should be coordinated in advance with the lead state appraiser or responsible review appraiser. Landowners and third party facilitators should obtain approval of a fee appraiser from the lead state appraiser prior to the fee appraiser receiving the assignment. The reviewer can then provide the fee appraiser with written BLM report standards and specific instructions applying to the particular assignment at hand. Using this procedure should assure that issues such as the applicable appraisal standards, the appropriate subject property, interest to be appraised, the timing of the appraisal in relation to the other steps of the land action, or inappropriate appraisal instructions are adequately addressed. BLM should be named in the report either as a co-client (if eventually sharing the cost) or as an intended use and copies of the report should be delivered to the proponent or land owner and to the BLM simultaneously.

B. Unsolicited Appraisals. An unsolicited appraisal report is one that has not been coordinated with the responsible review appraiser in advance (see .64A. above). Unsolicited appraisal reports will be returned without review unless they are accompanied by a written request for review from the responsible field manager.

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.65 Second Appraisals or Reviews. Second appraisals or reviews may be obtained when the appraisal assignment is complex and requires additional due diligence. The review appraiser shall make this decision in consultation with the appropriate manager.

.7 Appraisals Involving the Public Sale of Federally-Owned Properties.

Reserved.

.8 Appraisals Involving the Determination of Fair Market Rental Value of Federal Lands.

Reserved.

.9 Appraisals Involving the Conveyance and/or Acquisition of Commercially Valuable Timber.

Timbered properties often present unique appraisal problems which require close coordination between the appraisal, forestry and realty staffs. The following guidelines apply equally to United States, other public, and private forest land and timber.

.91 Inventory of Forest Resources. Inventories of merchantable timber volumes should always be prepared. In the Pacific coast region, inventories of pre-merchantable timber should also be prepared. For land exchanges, inventories should utilize identical sampling methods and accuracy standards and be conducted by the same personnel on both the Federal and non-Federal timber lands involved. All forest resource inventories performed by non-Federal personnel must meet established BLM inventory standards as determined by a qualified BLM timber cruiser.

.92 Appraisal Methods. Often, public lands involve significantly higher quality timber resources than are commonly transacted in the open market. These situations present a special valuation challenge. The appraiser must recognize these situations and carefully apply approaches and methods which fully answer the valuation questions. For land exchanges, the valuation of timbered properties for all ownerships should be performed by the same appraiser.

.93 Allocation of Value Contributions. In land exchanges involving multiple, non-contiguous parcels of land, some parcels may ultimately be resold or transferred by the proponent or facilitator to third parties and some parcels may be dropped in the final negotiations. Often, separate values of these parcels are requested from the appraiser. In order to provide reliable value allocations, the forest resource inventory and timber appraisal should be done in a manner which could provide a reliable separate stand-alone value for at least some of the individual tracts involved. In making the appraisal assignment, the review appraiser should consult with the realty specialist and/or area manager to determine which parcels are to remain as part of the core exchange and which might be likely to be dropped for balancing or conveyed to a third party. (Also see .61 , Land Configuration for Exchanges.)

.94 Validity Period. Timber resources are often the predominant component of value in forest land property. Timber values are cyclical and often subject to frequent, large fluctuations. Consequently, appraisals of timbered properties may need to be updated more frequently than other types of real property. The project manager or realty specialist should consult with the review appraiser regarding the need to update approved or recommended appraised values.

.10 Appraisals Involving the Conveyance of Mineralized Properties. Appraisers must make a qualified and defensible determination regarding the contribution to value of the mineral portion of the estate when appraising fee estate property. Consultation with mineral specialists at the appropriate level of detail and formality is required.

.101 Mineral Appraisal Expertise. The USPAP competency provisions require appraisers and review appraisers to take all steps necessary or appropriate to complete the assignment competently. The lead state appraiser will obtain appropriate mineral expertise, either from the mineral staff or from outside specialists. The lead state appraiser will ensure that appraisals of mineralized property are assigned to qualified appraisers with adequate mineral expertise support.

.102 Mineral Report. A mineral report must be completed for transaction involving mineralized properties or mineral interests. If initial indications are that the property is potentially valuable for minerals, preparation of the report should be closely coordinated with the appraiser. Reports must be of sufficient scope and detail to support a determination as to the presence or absence of marketable resources, and to detail the quantity, quality, and potential for viable economic development of such resources. The report will provide the technical basis for the mineralized property appraisal. It should include sufficient geologic and engineering information to allow an appraiser to determine the market value of the subject lands. All existing and available pertinent geologic and engineering information, including but not limited to, surface and subsurface geochemical and geophysical data, mining and processing plans, quantity and quality estimates, mineral development land use plans, and commodity market data will be included.

.103 Income Approach. On a mineralized property mineral resource expertise is critical when preparing an income approach. This approach is applicable under the following conditions:

- A. The property contains mineral deposits for which there is evidence of market demand.
- B. The mineral deposit's quantity and quality can be reasonably estimated.
- C. Potential for development is foreseeable.

D. The analysis is consistent with the UAS with respect to 1) valuation of the property as a whole; 2) application of speculative valuation approaches; and 3) capitalization of royalty income.

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.104 Value of the Whole. Where mineral and surface uses are mutually exclusive, e.g., some hard rock mineral deposits, the surface-versus-mineral-estate value issue is reconciled via the appraiser's highest and best use determination. If the surface and subsurface uses are not mutually exclusive, the appraiser should, to the extent possible, emulate the market in reconciling the two estate values into one value estimate for the entire property.

.105 Appraisals for FLPMA Section 209 Conveyances. FLPMA section 209 grants the surface holder of a property, or intended surfaced holder, the right to purchase, at fair market value and under certain other important conditions, the mineral estate underlying the property involved. The law provides that the mineral estate may be conveyed to the existing surface owner, "together with the surface" or separately. It is important to note that when only the mineral interest is being conveyed pursuant to this authority, that is, when the minerals are not being conveyed at the same time as the surface, the mineral interest is to be appraised independent of the surface estate.

.11 Appraisals Involving the Conveyance and/or Acquisition of Water and/or Water Rights. Appraisals involving water and/or water rights can be challenging to even the most experienced appraiser. Although the federal government has reserved the power to regulate navigation and navigable waters, and can assert water rights on its own behalf in connection with a federal project, these are generally construed as belonging to the public. The power to create and control private water rights, however, has traditionally been left to the individual states and territories. In some states, water rights are attached to the land and are a real property right. In others, water rights can be bought and sold separately from the land and are viewed as personal property. As a consequence, the appraiser must be aware of, and understand fully, the water laws of the jurisdiction within which an appraisal is being carried out. In appraising real property where water and/or water rights are involved, the appraiser needs to determine the quantity, quality, availability, and dependability of the water supply, and any costs associated with its use, as well as the beneficial use for which the right has been adjudicated, if indeed the rights have been adjudicated. The appraiser must also consider the extent to which the water rights affect the economic use potential of the property, and how they contribute to overall property value. Water rights and practices are highly localized. Appraisers must take care to become fully knowledgeable of local water law and practices before completing and/or reviewing appraisals of water rights. Staff appraisers are encouraged to collaborate with local, knowledgeable appraisers as needed.

Glossary of Terms

- A -

appraisal/appraisal report: a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of the lands or interests in lands as of a specific date(s), supported by the presentation and analysis of relevant market information (43 CFR§ 2200.0-5(c)).

apprentice appraiser: an appraiser in training whose work is supervised and reports are signed or co-signed by a qualified appraiser.

authorized officer: an employee of the BLM who has been delegated the authority to make the final decision.

- B -

bargaining: a process, other than arbitration, by which parties attempt to resolve a dispute concerning the appraised value of the lands involved in an exchange.

- C -

certification: a general certification issued by a State, under legislation enacted to comply with the Financial Institutions Reform, Recovery and Enforcement Act of 1989, that an individual has passed a comprehensive examination and possesses the qualifications to appraise all general classes of real property. Although it is recognized that most states have a certified residential appraiser category as well, in this manual, the term refers only to the certified general appraiser category.

complete appraisal: the act or process of developing an opinion of value or an opinion of value developed without invoking the departure rule of the Uniform Standards of Professional Appraisal Practice.

configuration: a property's size, shape, division into parcels, and geographic relationship to other lands or features.

- F -

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fee appraiser: A private sector appraiser who is paid a fee for the appraisal assignment performed.

- H -

highest and best use: the most probable legal use of a property based on market evidence as of the date of valuation, expressed in an appraiser's supported opinion (43 CFR 2200.0-5(k)). The use must be physically possible, legally permissible, financially feasible, and maximally productive. Often defined as the probable use which will generate the highest net return to the land over a given period of time. The highest and best use is determined by an appraiser after careful analysis of relevant market information.

- L -

lead state appraiser: a qualified BLM review appraiser who is also the program lead for appraisal in a particular state and who has delegated authority to approve market value for agency transactions. The term is a generic one as titles vary from state to state such as Chief State Appraiser, Senior Review Appraiser, or Review Appraiser.

limited appraisal: the act or process of developing an opinion of value or an opinion of value developed under and resulting from invoking the departure rule of the Uniform Standards of Professional Appraisal Practice. (USPAP definition)

- M -

market survey: A macroeconomic analysis that examines the general market conditions of supply, demand, and pricing or the demographics of demand for a specific area or property type. A market study may also include analyses of construction and absorption trends.

market value: the most probable price in cash, or terms equivalent to cash, that lands or interests in land should bring in a competitive and open market under all conditions requisite to a fair sale, where the buyer and seller each acts prudently and knowledgeably, and the price is not affected by undue influence [43 CFR 2200.0-5(n)]. The term is often considered synonymous with fair market value.

multi-tract appraisals: one appraisal report covering a given geographic area which includes a value opinion , usually in the form of a range of values, for several similar tracts or tracts stratified into homogenous market groups, e.g., dry grazing, irrigated crop land, etc.

- N -

negotiated settlement: an agreed upon price which may be based on an appraisal(s) or other authorized methods such as bargaining or arbitration. Applicable to exchange cases where bargaining provisions of the regulations have been invoked.

- P -

preliminary estimate: A preliminary appraisal report which sets forth an initial estimate of the value or range of values for which specific lands would likely sell or lease. The report should include a statement that the value estimate is preliminary and may change once a complete appraisal is prepared.

professional appraisal organizations: nationally recognized professional groups which establish standards of professional ethics and practice, provide or sponsor intensive training, and administer an accreditation program for the recognition of professional advancement. These organizations include, but are not limited to, the Appraisal Institute, the American Society of Farm Managers and Rural Appraisers, the International Right-of-Way Association, and the American Society of Appraisers.

professional designation: a determination by one of the national professional appraisal organizations, that support the Appraisal Foundation, to recognize a member for completing a rigorous course of study and passing a comprehensive examination in appraisal work. Designations that do not involve a comprehensive examination are not recognized by the BLM.

- Q -

qualified appraiser: an appraiser who is state certified, and is competent, reputable, and impartial, and who has training and experience in appraising property similar to the property involved in the appraisal assignment. May be either a staff or fee appraiser.

qualified review appraiser: a qualified appraiser who has the training and experience to perform appraisal reviews in a competent fashion. A qualified BLM review appraiser may have formal delegated authority to approve market value opinions and may also have that authority limited to a specific geographic or program area.

- R -

real estate: the physical land and appurtenances including permanently attached structures.

real property: the possessory rights, interests, or benefits inherent in physical real estate.

restricted use report: a written report prepared under Standards Rule 2-2(c) of a Complete or Limited Appraisal performed under Standard 1 for client use only (USPAP definition). The report contains statements of information relevant to the solution of the appraisal problem. The report must reference the existence of specific work file information in support of the appraiser's opinion of value. The work file must be sufficient to produce a Summary Appraisal Report. Application is limited to small value transactions where it is unnecessary to provide the level of information contained in a Self Contained or Summary Appraisal Report.

- S -

schedule valuation: an estimate of market value based upon market-derived information which purports to estimate market value for partial or temporary rental interests in public lands, including such as linear rights-of-way, communication site rights-of-way, apiaries, movie or commercial location sites.

self-contained report: a reporting format option allowed under USPAP. The self-contained report should contain all information significant to the solution of the appraisal problem within the report itself.

staff appraiser: an appraiser employed by a government agency or other institution. As used in this manual, staff appraisers refer to appraisers employed by BLM.

statement of value: a written report prepared by a qualified appraiser that states the appraiser's conclusion(s) of value. Must comply with minimum USPAP standards. Used in exchange cases where the value of the Federal land is not more than \$150,000. May be approved by the authorized officer for the exchange without review; however, should be coordinated with the lead state appraiser for consistency. .

summary report: a written report prepared under Standards Rule 2-2(b) of a Complete or Limited Appraisal performed under Standard 1. The summary report should contain a summary of all information significant to the solution of the appraisal problem. It does not have to have the level of detail required in a self-contained report.