



Appraisal Process Management

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FORBES > MONEY > TAXES

Circuits Split On Conservation Easement Perpetuity Regulation - Valuation Remains Critical

WEALTH PLANNING > HIGH NET WORTH

IRS Cracking Down on Conservation Easements

NEWS

Flat Rock appraiser named in conservation easement tax fraud scheme loses license

Global Challenges

- Conservation easements are very complex
- Specific techniques required
- Data is difficult to find
- Finding qualified appraisers is paramount
- Liability is a significant factor in appraiser decision making

Appraiser Challenges

Risks to appraisers

- IRS Audits and Challenges
 - Form 8283
- IRS Penalties and Procedures
 - 6695A Penalties
 - Circular 230
- Tax Court Opinions
- Integrity Act Enactment and Implementation

Valuation Issues

Conservation Easement Appraisals

- Intended Uses – Who are you writing the report for?
- USPAP and Yellow Book
 - USPAP – any technique possible
 - Yellow Book – before and after only
- IRS requirements
 - Comparable easements, before and after income and market approaches

IRS Definitions

- Qualified Contribution
- Qualified real estate
- Qualified purpose
- Qualified donor organization
- Qualified Appraisal / Appraiser

Qualified Appraisal

- Effective date within 60 days
- Does not invoke a prohibit fee
- Required information
- Prepared for income tax purposes
- Correct value definition
- Qualified appraiser
- Delivery date restrictions

Qualified Appraiser

- Declarations in appraisal
- Understands penalty for fraudulent actions
- Professional designation, licensure and verifiable education

Problems with Conservation Easement Appraisals

- Identifying the property rights to be appraised
- Required considerations
- The market includes a mix of sales and sales are limited
- Definition of larger parcel
- Unity tests – ownership, contiguity, same/integrated H&BU
- Contiguous family-owned parcels (CFOPs)
- Potentially enhanced parcels
- Quid pro quo? – creates impression that landowner is conveying a CE as a condition of approval being sought

Typical Problem Areas

- Highest and best use analysis
 - > Definition
 - > Four tests
 - > Before-and-after scenario

Typical Problem Areas

- Document Sharing with the Appraiser
 - > Baseline documents
 - > Management Plan
 - > Existing Improvements and Building Envelopes
 - > Infrastructure – Roads and Other Site Improvements
- Land Use Capabilities
 - > Vertical improvements are not generally affected
 - > Easements specifically identify managing agent as allowed users

Valuation Techniques

- Comparable sales of conservation easements
 - > Difficult to find in many markets
- Comparable sales of eased properties
 - > Market driven and supported adjustments
 - > Providing information to the appraiser, advising of sales that may have occurred
 - > Key element: Change in value versus a non-eased sale

Valuation Techniques

- Before/after technique
 - > Highest and best use analyses
 - > Comparable sales

Valuation Techniques

- Sales comparison approach — special considerations
 - > Before value typically “as-is” value
 - > Highest and best use for comparable sales
 - > Verification
 - > Bargain sales

Valuation Techniques

- Income approach – special considerations
 - > Competency
 - > Discounted cash flow analysis – difficult to support

Types of Reviews

- Some things to know
 - > *Administrative* and *technical* reviews are terms no longer found in USPAP
 - > Reviews rarely fit into either of these two categories anyway
 - > *Field* and *desk reviews* are operative terms

Appraisal Review Assignments

- Is the Reviewer competent?
- Reviewer's scope of work
 - > Conventional
 - > Yellow Book
 - > IRS
- In-house or contract reviewer
 - > Qualifications
 - > Concerns and liabilities
 - > Report type

Appraisal Review Assignments

- Prior to the assignment
 - > Ascertain client needs
 - > Does the client require the reviewer to provide an opinion or conclusion?
 - > USPAP does not require the reviewer to accept or reject
 - > Determine what is to be reviewed

Developing the Review Opinion

- Questions to answer
- The entire appraisal report?
- The review report format
- Compliance with Yellow Book, IRS, USPAP

What Can Go Wrong

- Warning signs of a problem appraisal
 - > The “slam dunk” development
 - > Comparing apples and oranges
 - E.g., mixing together direct capitalization and discounted cash flow analysis
 - > Hear no evil, see no evil, **write no evil**
 - > Omission of essential or required statements
 - > Carelessness and inconsistencies

What Can Go Wrong

- Warning signs of a problem appraisal
 - > Redundancy and information overload
 - > Leaps of faith
 - > Unexpected limiting conditions
 - > Selection of key assumptions at the extreme margins of a range
 - > Questionable or suspect data
 - > Excessive use of hedging word

What Can Go Wrong

- Warning signs of a problem appraisal
 - > Failure to apply a test of reasonableness
 - Are implied units of comparison consistent with market prices?
 - Is the capitalization rate reasonable?
 - Does the value exceed the costs?
 - Are common units of comparison used?
 - Is the final value reconciled with the replacement or rehabilitation costs?
 - Is the final value reconciled with the current or recent selling price?

Client Expectations for Appraisals

- The Short List
 - > Well supported and documented
 - > Reader can follow the appraiser's thought process
 - > Analysis is logical and sensible
 - > Analysis and conclusions are credible and convincing to intended users

Improving the Appraiser's Environment

- Screening and vetting of appraisers
- Bid processes
- Determine compliance
- Sharing of property records
- Database – Sales Information of what is managed and resold
- Exploratory discussions – Canadian Eco Gifts Program
- Appraisal Careers!

Resources

- [Find an Appraiser](#)
- Appraisal Institute [Chapters](#)
- Valuation of Conservation Easements Professional Development [Program Registry](#)
- Appraising Conservation and Historic Preservation Easements, 2nd [Edition](#)
- Valuation of Conservation Easements [course](#)
- Uniform Appraisal Standards for Federal Land Acquisitions [course](#)
- Other professional appraisal organizations

Search

Designation

-- Please Select --

First Name

State

Oregon

Zip

 5 Miles

County

-- Please Select --

Property Class

-- Please Select --

Company

Last Name

City

Country

United States

Search

Reset

Additional Filters

Available for Fee Assignments

Available Not Available

Ownership Forms

-- Please Select --

Languages

-- Please Select --

Diversity

Minority & Women Directory

SBA Going Concern

-- Please Select --

Business Services

Conservation

Name	City
Robert E. Hugie, MAI <i>Designated Member</i>	Keizer, OR
Matthew Larrabee, MAI <i>Designated Member</i>	Portland, OR
Charles W. Rex, III, MAI <i>Designated Member</i>	Laurel Park, NC
James A. Greenleaf, MAI, AI-GRS <i>Designated Member</i>	Sunriver, OR
Gregory W. Moore, MAI	Bend, OR

Valuation of Conservation Easements

Professional Development Program Registry

NOTE: This Registry only lists Appraisal Institute Designated members, Candidates for Designation or Practicing Affiliates who have successfully passed the *Valuation of Conservation Easements* Professional Development Program (formerly called *Valuation of Conservation Easements* Certificate Program of Completion) examination.

There may be other qualified Appraisal Institute Designated members who may appraise conservation easement assignments but have not taken the *Valuation of Conservation Easements* Professional Development Program.

Visit the [Find an Appraiser directory](#) to find Designated members who have identified conservation easements as a specialty.

AI	Name	Company	Address	City	State	Zip	Assignments
Designated Member	Russell M. Adams, MAI, SRA	Shackelford & Associates	6512 Six Forks Road Suite 502-B	Raleigh	NC	27615-6527	Yes
Practicing Affiliate	Victoria B. Adams	Terra Valuations LLC	P.O. Box 1415	Edmonds	WA	98020	Yes
Designated Member	Henry K. Adamson, IV, MAI, AI-GRS	Adamson & Associates, Inc.	PO Box 327	Mission	KS	66201	Yes
Designated Member	Ronald D. Alfred, MAI, AI-GRS	Alfred Appraisal Group	9805 Datura Trail NE	Albuquerque	NM	87122	Yes
Designated	Jozef Alhale	J. Alhale	200 Diplomat	Hallandale	FL	33009	Yes

Valuation of Conservation Easements

[← Education Search](#)[Education Schedule
\(PDF\)](#)[Education Catalog \(PDF\)](#)

Description

Valuation of Conservation Easements is an advanced course designed for general certified appraisers who understand the methodology in the approaches to value and who are ready to embark on understanding the intricacies involved in one of the most misunderstood and difficult types of appraisals. Over 4 days, you'll become familiar with conservation easement valuations in a variety of situations, including conventional appraisals, appraisals that are required to comply with the Yellow Book, and appraisals involving non-cash charitable contributions that are required to comply with IRS standards.

Note. This course is in the [Valuation of Conservation Easements](#) Professional Development Program. View this list of [FAQs](#), which includes information regarding the courses you'll need to complete the program successfully.



This course is approved for GBCI CE Hours by the USGBC.

Description

This course (with optional exam) not only provides a comprehensive review of the *Uniform Appraisal Standards for Federal Land Acquisitions*, 6th edition, it includes critical instruction to those involved in federal land acquisition valuation assignments. The course walks you through cases studies which demonstrate practical procedures and solutions. Whether you are an experienced appraiser who writes or reviews federal land acquisition appraisals or you are an appraiser interested in expanding your client base to include federal and state agencies and organizations, this course will show you how to apply the 6th edition *Uniform Appraisal Standards for Federal Land Acquisition* in practice.

To learn about what changed in the 6th edition of the *Uniform Appraisal Standards for Federal Land Acquisitions*, see the Appraisal Institute webinar: [Yellow Book Changes—Overview for Appraisers](#).

[Free electronic copy here.](#)

▼ Current Offerings					
Sponsor	Date	Location	Delivery Format	Check State Approvals	
Louisiana Chapter	October 23-24, 2023	Metairie, LA	Classroom ⓘ	Check	Register
Southern California Chapter	October 26-27, 2023	Ontario, CA	Classroom ⓘ	Check	Register

Please remember to complete a session evaluation on the Rally App!

There will be no paper evaluation forms and we value your feedback

Navigate to the session you are attending within the Rally App and click on 'Surveys'

