

JOINT AGRICULTURE, STATE AND PUBLIC LANDS & WATER RESOURCES COMMITTEE

JUNE 11, 2019

OFFICE OF STATE LANDS AND INVESTMENTS LAND APPRAISAL PROCESS INTERIM TOPIC

Prepared by:

Ben Bump, Assistant Director, Field Services Division, OSLI

David Bartlett, Certified General Appraiser, Field Services Division, OSLI

GENERAL APPRAISAL INFORMATION

- Uniform Standards of Professional Appraisal Practice (USPAP)
 - Developed in the 1980's by a joint committee representing the major U.S. and Canadian appraisal organizations as a result of the savings and loan crisis
 - Formed The Appraisal Foundation (TAF) to administer USPAP
 - The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) authorized the Appraisal Subcommittee (ASC) provides oversight to TSF
 - TAF carries out its work through two divisions – the Appraisal Standards Board (ASB) and the Appraiser Qualifications Board (AQB)
 - All US states and territories require appraisal licensure for valuation work performed for federally regulated institutions
 - 35 states and territories of the US require appraisal licensure for all valuation work performed
 - USPAP updated every two years, current version available at www.appraisalfoundation.org

GENERAL APPRAISAL INFORMATION

- When Do USPAP Rules and Standards Apply?
 - USPAP does not establish who or which assignments must comply
 - Neither The Appraisal Foundation nor its Appraisal Standards Board is a government entity with the power to make, judge, or enforce law
 - An appraiser must comply with USPAP when either the service or the appraiser is required by law, regulation, or agreement with the client or intended user

GENERAL APPRAISAL INFORMATION

- Appraisal in Wyoming
 - W.S. § 33-39-1 Certified Real Estate Appraiser Act
 - Establishes Certified Real Estate Appraiser Board
 - “Each certified real estate appraiser issued a permit to practice under this act shall comply with the standards of professional appraisal practice and ethical rules specified by the Uniform Standards of Professional Appraisal Practice.”
 - Establishes classes of permits
 - Certified Residential Real Estate Appraiser
 - Certified General Real Estate Appraiser
 - Real Estate Appraiser Trainee

GENERAL APPRAISAL INFORMATION

- USPAP Rules
 - *An appraiser must act competently and in a manner that is independent, impartial, and objective.*
 - Ethics Rule - integrity, impartiality, objectivity, independent judgement, and ethical conduct
 - Record Keeping Rule - workfile requirements
 - Competency Rule - knowledge and experience
 - Scope of Work Rule - problem identification, research, and analyses
 - Jurisdictional Exception Rule - if contrary to law or public policy

GENERAL APPRAISAL INFORMATION

- USPAP Standards
 - Standard 1: Real Property Appraisal, Development
 - In developing a real property appraisal, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal including:
 - correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal
 - identify the type and definition of value, and, if the value opinion to be developed is market value, ascertain whether the value is to be the most probable price
 - identify any extraordinary assumptions and/or hypothetical conditions
 - develop an opinion of the highest and best use of the real estate
 - reconcile the applicability and relevance of the approaches, methods and techniques used to arrive at the value conclusion(s)

GENERAL APPRAISAL INFORMATION

- USPAP Standards
 - Standard 2: Real Property Appraisal, Reporting
 - In reporting the results of a real property appraisal, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.
 - Report must contain sufficient information to enable the intended users of the appraisal to understand the report properly
 - Report must clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment
 - The content of an Appraisal Report must be consistent with the intended use of the appraisal
 - Each written real property appraisal report must contain a signed certification attesting to conformance with USPAP

GENERAL APPRAISAL INFORMATION

- USPAP Standards
 - Standard 3: Appraisal Review, Development
 - In developing an appraisal review, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal review.
 - The purpose of an appraisal review assignment relates to the reviewer's objective; examples include, without limitation, to determine if the results of the work under review are credible for the intended user's intended use, or to evaluate compliance with relevant USPAP requirements, client requirements, or applicable regulations
 - Reviewer may provide an opinion of value for the property that is the subject of the work under review
 - Reviewer may provide an opinion of quality of the work that is the subject of the appraisal review assignment

GENERAL APPRAISAL INFORMATION

- USPAP Standards
 - Standard 4: Appraisal Review, Reporting
 - In reporting the results of an appraisal review, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.
 - Similar requirements to Standard 2

OSLI APPRAISAL INFORMATION

- Wyoming Statutes related to Land Transactions
 - W.S. § 36-1-111. Orders, rules and regulations relative to exchange of lands.
 - (a) The board of land commissioners is hereby authorized and empowered to pass and promulgate all such orders, rules and regulations as may be necessary or required relative to the appraisal and valuation of the lands to be exchanged as provided in this act, and to provide for the execution of conveyances, contracts and other instruments pertaining to the exchange of the lands, and to enable the director to effect and complete each exchange of the lands.
 - W.S. § 36-9-102. Manner of sale; minimum price.
 - All state lands shall be disposed of only at public auction to the highest responsible bidder after having been duly appraised by the board, and shall be sold at not less than the appraised value thereof, and for not less than ten dollars (\$10.00) per acre.

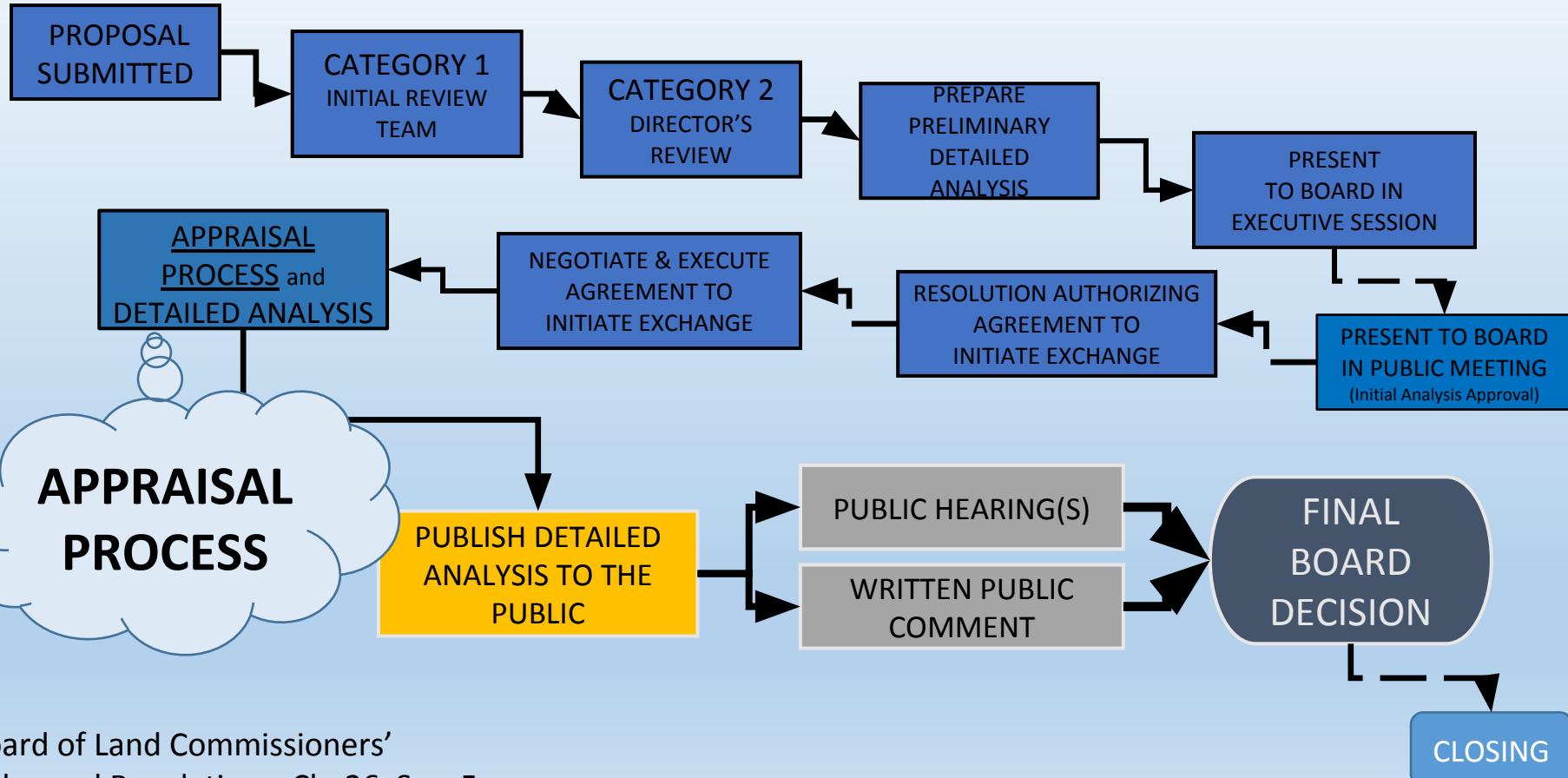
OSLI APPRAISAL INFORMATION

- Market Value Appraisals at OSLI
 - Farm Loans (SLIB Chapter 7)
 - Appraisal shall reflect the current agricultural market value of the land to be mortgaged as security for the loan
 - Easements (SBLC Chapter 3)
 - Payment for the grant of an easement shall be on a negotiated basis, but no easement shall be granted for less than its market value
 - Special Use Leasing (SBLC Chapter 5)
 - The minimum annual rental shall be based on fair market value for the same or similar use of the land
 - Land Acquisition and Disposal (SBLC Chapter 26)
 - Requires market value appraisal and detailed analysis
 - Requires public comment period and public hearing

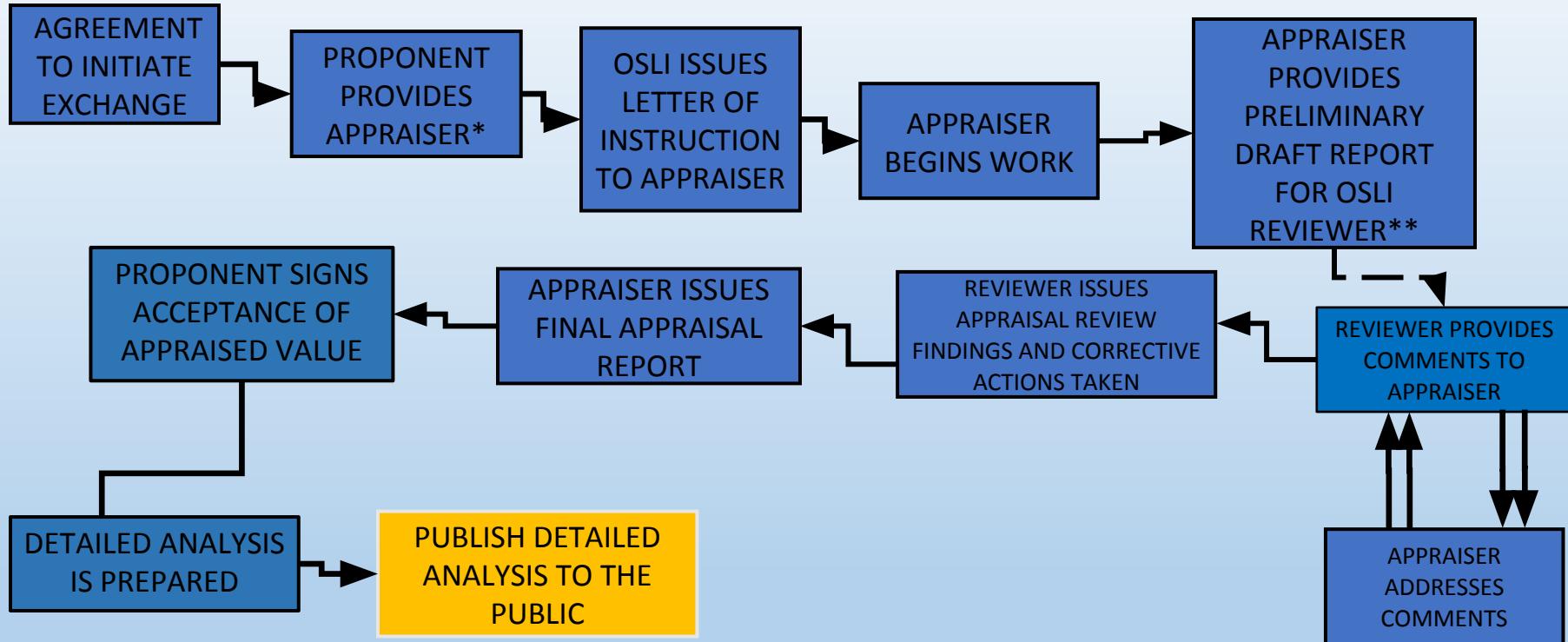
OSLI APPRAISAL INFORMATION

- State Land Exchange - Appraisal Process
 - Once proposal has proceeded through exchange process and received initial Board approval, the appraisal process is initiated
 - Proponent provides appraiser (**OSLI may provide appraiser, if agreed upon)
 - OSLI issues Letter of Instruction to appraiser (sample attached)
 - Provides details of subject properties
 - Provides the definition of market value to be used
 - Outlines any extraordinary assumptions and/or hypothetical conditions that may influence the appraisal or appraisal process
 - Instructs the appraiser to provide a preliminary draft report for review by OSLI review appraisers (**Proponent may provide reviewer, if agreed upon).

EXCHANGE PROCESS



EXCHANGE APPRAISAL PROCESS



OSLI APPRAISAL INFORMATION

- State Land Exchange - Appraisal Process
 - Appraisal Review Process
 - The review appraiser will review the report for USPAP and letter of instruction compliance.
 - During review, if USPAP or letter of instruction issues are identified, or more explanation is needed to understand how the appraiser approached the appraisal problem, the reviewer will contact the appraiser for clarification and/or to correct those areas of concern.
 - Reviewer will file and sign a report outlining his findings and the corrective actions recommended and taken by the appraiser.
 - When the reviewer determines that the appraisal report meets the standards outlined in the letter of instruction and USPAP, the appraiser is instructed to provide a signed hard copy of the appraisal report and a digitized copy to the proponent and OSLI.
 - Proponent signs Acceptance of Appraised Value (sample attached)

OSLI APPRAISAL INFORMATION

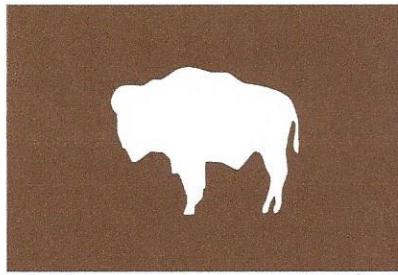
- Appraisal Valuation Process
 - Gather Data
 - Market Area/Trends
 - Regional Area/Trends
 - Sales activity in the area
 - Highest and Best Use Analysis
 - Approaches to Value
 - Income Approach
 - Rental information, costs, capitalization or yield rates
 - Sales Comparison Approach
 - Wyoming is a non-disclosure state
 - Comparables reflective of properties of similar highest and best use to the subject
 - Cost Approach
 - Is the property improved? If yes this approach may be relevant
 - Reconciliation

OSLI APPRAISAL INFORMATION

- Appraisal Valuation Process
 - Prepare written report
 - Uniform Agricultural Appraisal Report (UAAR)
 - Narrative Report
- Review Process
 - Each time USPAP has a new version, the review process changes slightly to incorporate items reflected by the current version of USPAP.
 - The appraisal report is initially reviewed.
 - Because OSLI is often working with state land, an inspection is often made. This often includes sales and sales verifications.
 - Respond to appraiser of findings of the review, if necessary, request edits.
 - The review process includes not only determination of USPAP compliance, it includes determination of compliance with letter of instruction.

WYOMING OFFICE OF STATE LANDS AND INVESTMENTS

122 West 25th Street
Cheyenne, WY 82002
Phone: 307.777.7331
Fax: 307.777.2980
slfmail@wyo.gov



MATTHEW H. MEAD
Governor

BRIDGET HILL
Director

July 31, 2015

Mangus Appraisals, LLC
Que Mangus
2407 11th Street
Cody, WY 82414

Re: Instruction for Appraisal of the Bull Creek Ranch
See Exhibit A for Legal Descriptions
Johnson County, Wyoming

Dear Mr. Mangus:

You are hereby authorized to prepare and submit an appraisal report of the above referenced property that may be proposed for acquisition through an exchange by the State of Wyoming and S. K. Johnston, Jr. A limited summary and restricted appraisal report is not acceptable by the Clients, the Board of Land Commissioners or the Office of State Lands & Investments. The appraisal report must be complete in that it will include the analysis relevant to the appraisal processes to produce a creditable report, thereby allowing OSLI's review appraiser the capability to replicate and/or duplicate the appraisal process found in the report.

A legal description and map of the subject property are attached for your reference.

The appraisal report will be prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) 2014-2015 Edition along with this letter of instruction. This letter of instruction must be included within the appraisal report.

The Purpose of the appraisal is to estimate the current market value of the surface estate of the subject property:

- excluding minerals, and recognizing use and nuisance value or other outside motivations;
- excluding building improvements not owned by the State of Wyoming; and
- assuming legal access.

The "Client" for the appraisal is the Board of Land Commissioners (Board) and the Office of State Lands & Investments (OSLI). You are to address your report to Bridget Hill, Director of the Office of State Lands and Investments.

The "Applicant" is S. K. Johnston, Jr.

The "Intended Users" of the report are the Clients; the Board of Land Commissioners, the Office of State Lands and Investments, and the Applicant; S. K. Johnston, Jr.

The "Intended Use" of the appraisal is for a possible exchange decision by the Clients and the Applicant.

The appraiser is to use the following Market Value Definition.

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

The appraiser's highest and best use analysis will address the properties current use, probable future use and current highest and best use, recognizing area trends in land use or uses and values, any recreational and/or development potentials the property may exhibit, and the properties most marketable tract size(s) and unit development mix along with lot sizes under prevailing market conditions.

Elements of comparison to be considered in the appraisal process will include, but are not limited to, conditions of sale, market conditions (time), productivity (if applicable), size, location, legal and physical access, terrain, streams/trees, view, recreational amenities, availability of utilities, zoning and any other relevant market factors that you may identify, which influence highest and best use, marketability and market value. Value adjustments will be derived and/or supported from market data whenever possible.

The appraiser will determine whether or not the property has legal public access. If not, the property shall be appraised under the "hypothetical condition" that it *is* legally accessible. This assumption is imposed for appraisal purposes and should be referenced as such in the appraisal report. Hypothetical conditions are found on page U-3 in USPAP lines 81 to 86.

The appraiser will determine/estimate the availability of physical access from the nearest improved road and apply a market or cost approach derived adjustment, if applicable, for development of an access road to the property.

The appraisal should include at least six photographs of the subject parcel with at least two photos of the surrounding market area. Photographs included in the appraisal report will be at least 4" X 6". Photographs should be provided to OSLI in digital format so that they can be included in the Detailed Analysis, which OSLI will prepare as part of the exchange process.

¹ This definition is from regulations published by federal regulatory agencies pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 between July 5, 1990, and August 24, 1990, by the Federal Reserve System (FRS), National Credit Union Administration (NCUA), Federal Deposit Insurance Corporation (FDIC) and the Office of Comptroller of the Currency (OCC).

Any additional services related to the appraisal such as retaining a professional engineer, water right consultant or any other consultants must be authorized by OSLI and the Applicant at no cost to OSLI. All costs relevant to the appraisal or appraisal processes will need to be covered by the Applicant.

The appraiser will submit an initial draft of his appraisal report to OSLI for review by a qualified OSLI review appraiser. Once the review is completed and the appraisal is deemed acceptable, the review appraiser will instruct the appraiser to provide his report to the Client and the Applicant. One hard copy and one digital report (in word or PDF) shall be prepared and submitted to OSLI. One for the draft report and one each hard copy and digital format for the final report. One hard copy with invoice shall be submitted to S. K. Johnston, Jr. the Applicant, as the applicant is responsible for payment of the appraisal.

The final report will become public record. As such, please insert the following statement in the Contingent and Limiting Conditions section of your report: **“Although, the State of Wyoming, Board of Land Commissioners, Office of State Lands and Investments, and S. K. Johnston, Jr. are the only intended users of this appraisal report, it may be viewed by members of the general public as part of the public records act of Wyoming.”**

The appraiser must receive written permission from OSLI prior to releasing any copies of the appraisal report to the public. USPAP (2014-2015 Edition) U-9 Lines 291-309:

Mr. Michael Hastings, ARA will be OSLI's review appraiser for this project. If you have any appraisal questions, direct them to Mr. Hastings at 307-777-3511 or michael.hastings@wyo.gov. Mr. Hastings will be in contact with you to determine target dates for the completion of this assignment.

Thank you for your cooperation and assistance on this project. Please contact me (1-307-777-6639) if you have any questions or need additional information regarding this authorization for an appraisal on the subject property.

Sincerely,



Jason Crowder
Assistant Director
Office of State Lands and Investments

Enclosures: Appraisal Checklist, Legal Descriptions, and Map:

cc: Applicant

WYOMING OFFICE OF STATE LANDS AND INVESTMENTS

122 West 25th Street
Cheyenne, WY 82002
Phone: 307.777.7331
Fax: 307.777.2980
slfmail@wyo.gov



MARK GORDON
Governor

JENIFER SCOGGIN
Director

ACKNOWLEDGEMENT AND ACCEPTANCE OF APPRAISED VALUE

I am in receipt of the appraisal for the Parcel of Deeded Land I have proposed to sell as part of an exchange with the Board of Land Commissioners (Board).

I accept the value established by the appraiser and understand \$ _____ is the appraised value of the Deeded Parcel.

I am in receipt of the appraisal for the Parcel of State Trust Land I have proposed to buy as part of an exchange with the Board.

I accept the value established by the appraiser and understand \$ _____ is the appraised value of the State Trust Parcel.

I am willing to exchange the State Trust Parcel for the Deeded Parcel at the appraised values with no cash equalization payment and acknowledge that this creates an unequal exchange in favor of the Board.

Applicant

Date