

**GUIDELINES AND STANDARDS  
FOR  
PREPARATION OF  
NARRATIVE APPRAISAL REPORTS**

**SONOMA COUNTY AGRICULTURAL PRESERVATION  
AND OPEN SPACE DISTRICT**

Approved as Amended February 2, 2012  
SCAPOSD Fiscal Oversight Commission

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## *APPRAISAL GUIDELINES*

The appraisal Guidelines have been prepared in order to set forth parameters by which contract appraisers can perform appraisal assignments in accordance with the District's expectations. These Guidelines are not intended to be all inclusive, and it is anticipated that there will be issues not readily addressed herein that the appraiser will either have to direct to the District or use their best judgment.

These Guidelines have been developed in part as a result of the District's past experience with the appraisal process, and are also based in part upon published sources for appraisal of conservation easements, as well as other appraisal issues. They have also been prepared with the assistance of the appraisal community. The Guidelines are provided as an informational tool for the benefit of all involved in the District's acquisition process, as well as for the community in general.

### A. Definition of Appraisal

An appraisal is defined as (noun) the act or process of developing an opinion of value; an opinion of value, or (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.<sup>1</sup>

Appraisers perform analyses and render opinions or conclusions relating to the nature, quality, value, or utility of specified interests in, or aspects of, identified real estate. Real estate appraisal involves selective research into appropriate market areas, the assemblage of pertinent data, the use of appropriate analytical techniques, and the application of knowledge, experience, and professional judgment to develop an appropriate solution to an appraisal problem.

### B. Description of Property Appraised and Rights Acquired

It is important to set forth in the appraisal document a clear indication of the property appraised. The appraiser may rely upon legal descriptions, Sonoma County Assessor's parcel maps, or other exhibits prepared by the District or private consultants for an indication of the boundaries of the property to be appraised. A full description of all of the physical features characterizing the property is required.

The source of the estimated land area of the property appraised must be stated by the appraiser, and any differences reconciled in the appraisal narrative. An example would be where the acreage as indicated by an Assessor's parcel map differs measurably from that as stated by the property owner or by record of survey. The appraiser is to make a determination of, and provide support for, use of a particular acreage or to highlight an issue of unresolved land area.

The appraiser must also identify the rights to be acquired, either in fee or conservation easement interest; easement interests are to be defined as to the type of easement, such as an agricultural conservation or natural resource easement. Reference should be made to

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<sup>1</sup> Uniform Standards of Professional Appraisal Practice, 2010-2011 Edition, Appraisal Standards Board, Appraisal Foundation, p. U-1.

the District's draft Deed and Agreement and the salient issues are to be discussed in the appraisal narrative.

In certain instances, the District may wish to acquire more than one type of easement over portions of the same property. Also, only a portion of the property appraised may be encumbered by a conservation easement. The appraiser must clearly describe these factors and provide sufficient graphic exhibits to enable the reader to easily understand relationships between the whole property and the part to be acquired. The appraiser must also analyze and report how each of these issues will affect the value of the property in the Before and After conditions (see Section "G" of these Guidelines).

In many instances, a property appraised may include structural improvements. If the District is acquiring only an easement interest in the property, the appraiser may choose to ignore the value of the improvements, as only the land value needs to be determined for the purpose of the appraisal. In such an instance, it is imperative that the appraiser state clearly in the appraisal, as well as in the letter of transmittal, that the value of the conservation easement is based on the value of the whole property exclusive of the value of any improvements located thereon.

#### C. Condition of Title

The existence of a particular easement encumbrance or reservation of the interest of another may adversely affect the quality of title, as well as adversely affecting the permitted and prohibited uses intended by the District through the acquisition of a conservation easement interest. Additionally, it may affect the appraiser's opinion of market value of the property in both the Before and After condition. Examples are as follows:

- An existing Land Conservation Contract or Agreement (pursuant to the Williamson Act) may limit subdivision of the subject property in the Before condition.
- A substantial number of access easements, especially floating easements, may diminish the utility of the property.
- Assignments of water rights to other parties may impair the ability to develop additional water sources on the property.
- Towerline easements that are not improved with electrical transmission facilities but that have not been abandoned by the grantee could have a negative effect on the physical use of the property.

The effect of certain existing easements or reservations of interest cannot necessarily be discounted by the appraiser on the assumption that the property is "appraised as though free and clear of any liens or encumbrances". It is not appropriate, for example, to assume that lack of legal access can be easily cured by the purchase of other access. The appraiser must consider and report upon the effect of each easement, encumbrance, or lease to the extent that it affects market value.

D. Date of Valuation

The date of value as utilized in appraisals prepared for the District is to reflect present value, and not prospective or retrospective value unless otherwise requested by the District; most often, it will be the date of the last inspection of the subject property. By their nature, appraisers determine an opinion of market value based on highest and best use, and must not unduly consider speculative future value based on events that may or may not occur.

E. Market Value

There are many definitions of value that exist in appraisal theory and technique; examples include market value, use value, going concern value, investment value, assessed value, and insurable value. The purpose of the appraisal dictates the type of value to be determined.

Property rights acquired by the District are not valued in the same manner as those for other types of public projects which involve the use of eminent domain; the District is not vested with the power of eminent domain. The District negotiates only with willing sellers in the real estate market.

The two definitions of market value that are applicable to property rights appraised for the District are presented as follows:

1. The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress;<sup>2</sup> or
2. 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 is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
  - a. buyer and seller are typically motivated;
  - b. both parties are well informed or well advised, acting in what they consider their best interests;
  - c. a reasonable time is allowed for exposure in the open market;
  - d. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and

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<sup>2</sup> Appraisal Institute, The Appraisal of Real Estate, 13<sup>th</sup> Ed., (Chicago: The Appraisal Institute, 2008), p. 23.

- e. 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.<sup>3</sup>

Contract appraisers are to use either of the above "most probable price" definitions as the basis of determining market value for fee or conservation easement interests.

#### F. Public Interest Value

Public interest value is a term that has been used as an attempt to define the value of a particular property that is being acquired for purposes such as conservation, wildlife habitat, preservation in a natural state, or other non-economic uses. Advocates of the public interest value concept argue that the highest and best use of such lands is precisely that for which they are being acquired.

The validity of appraisals based on non-economic highest and best use as a legitimate estimate of market value has been the subject of numerous articles in professional journals, and has been the subject of committee research and/or forums at national meetings of the International Right-of-Way Association, the American Society of Farm Managers and Rural Appraisers, and the Appraisal Institute. Value estimates and appraisal reports have been developed on this premise of "preservation" as a property's highest and best use. Legal counsel for some property owners have contended that such reports are a reliable opinion of market value.

However, public interest value appraisals require the development of an opinion of value that clearly falls outside the traditionally accepted definition of market value. Based on the definition of highest and best use as provided in Section "G", following, it is clear that highest and best use is to be estimated in economic terms. Implied in the foregoing is that highest and best use is an economic concept, and not a social concept. This position is supported by modern appraisal textbooks.

This issue of public interest value was most succinctly addressed in a Position Paper on the subject which was presented to and approved by the Interagency Land Acquisition Conference in late 1994.<sup>4</sup> The Position Paper concluded that:

- 1) public interest value constitutes a non-economic highest and best use;
- 2) a non-economic use is not a proper basis for the estimate of market value;
- 3) the highest and best use of a conservation, preservation, or other use that requires the property to be withheld from economic production in perpetuity, is not a valid use upon which to estimate market value;

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<sup>3</sup> Federal Register, vol. 55, no. 163, August 22, 1990, pages 34228 and 34229

<sup>4</sup> Conference committee members included the U. S. Department of Justice, U. S. Forest Service, U. S. Fish and Wildlife Service, Bureau of Land Management, Bonneville Power Associates, U. S. Army Corps of Engineers, Department of Transportation, FHWA, and National Park Service.



- 4) such an estimate is not in conformance with the Uniform Standards for Federal Land Acquisition.

The District's legal counsel concurs with these conclusions.

G. Highest and Best Use

Market value is to be determined with reference to the property's highest and best use. Detailed analysis and documentation of highest and best use is stressed in District appraisals because the Before and After valuation depends upon well supported and documented determination of probable uses in each instance.

Highest and best use is defined as:

The reasonable, probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.<sup>5</sup>

Often the highest and best use can be the current use of the property. However, if the property is adaptable to a use other than the existing use, this marketable potential must be considered. All assumptions must be thoroughly documented and discussed in the appraisal document. There must be sufficient evidence of a reasonable probability that the proposed use is legally permissible, physically possible, financially feasible, results in a higher land value, and that there is demand for such use either at the present time or in the reasonably near future.

Any assumptions as to the potential for a zoning change and/or General or Specific Plan amendment, as examples, must incorporate the above factors and must be thoroughly documented and supported. The elements of risk and time delay must be analyzed and reported. Unsupported assumptions as to issues such as availability of water, subdivision potential, number of potential lots, access, sewer service, annexation, and changes in Land Conservation Contracts or Agreements are not consistent with these Guidelines and Standards.

Where it is determined that various parts of a property have different highest and best uses, the appraiser should not necessarily value the property based upon each of these uses independently, but should consider all of the uses as components of the whole property and value the property accordingly. In no event should the valuation be based on one highest and best use for the land and the addition of a different and inconsistent highest and best use. Further discussion regarding valuing the property as a whole and exceptions thereto is provided under "Unit Rule", Section "O", of these Guidelines.

Pursuant to these Guidelines and Standards, each of the four elements of highest and best use are to be analyzed and discussed completely within the text of a self-contained narrative report so that the reader can clearly understand the basis for the appraiser's determination of highest and best use in both the Before and After condition.

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<sup>5</sup> The Appraisal Institute, The Dictionary of Real Estate Appraisal, Fourth Ed, 2002, p.135.

## H. Consistency with USPAP

The appraisal documentation and reporting process is to be conducted in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation and as recognized by Federal Law. USPAP defines the generally accepted minimum standards for appraisals and is required in addition to these District Guidelines and Standards for appraisal reports. The appraiser should be continually familiar with the most recent version of USPAP as it is updated on a periodic basis.

It is recognized that there may be an occasion when the District Guidelines and Standards do not sufficiently address a specific appraisal issue. The professional appraiser is expected to apply his or her judgment to unusual valuation problems. If the valuation of a particular property requires deviation from the District Guidelines and Standards, the appraiser may do so based upon adequate documentation and reasoning approved by the District prior to submittal of the appraisal report.

Under no circumstances, however, shall appraisal reports, or the process used, fall below the minimum standards of USPAP.

## I. Assumptions and Limiting Conditions

Any qualified assumptions made by the appraiser with regard to the highest and best use of the property appraised must be accurately stated and fully documented in the Assumptions and Limiting Conditions section of the report. Unsupported assumptions are unacceptable and may result in the rejection of an appraisal by the District. The appraiser may state standard limiting conditions in the body of the report as well as any special conditions that may be particular to the project. Conditions or assumptions that change the purpose or function of the appraisal or otherwise modify the scope of work under the terms of the contract are not acceptable. If there are any questions, it is recommended that the appraiser submit proposed assumptions or limiting conditions to the District prior to completion of the draft appraisal document.

Assumptions made by the appraiser as to certain land uses without sufficient basis in fact are considered unduly speculative and are not consistent with these Guidelines and Standards. This extends to development rights (discussed in detail in Section “K”, paragraph “2” of these Guidelines) and suitability of a property for various uses such as viticulture or extraction of mineral rights. Appraisers are not necessarily experts in such matters as timber, mineral, or viticultural resources. Appraisers should analyze any reports or analyses prepared by experts in these fields for confirmation of such assumptions, and provide documentation of such reports or analyses within the appraisal report.

## J. Appraisal Format

Most commonly, an appraisal prepared for the District will be in a self-contained format as defined by USPAP, and in narrative form. This is the most complete form of appraisal reporting and is required because of the comprehensive needs of the District in

supporting expenditures of funds with which to purchase the easement or fee rights appraised.

Under the self-contained narrative format, an appraiser is expected to fully discuss all aspects of property analysis and valuation, inclusive of physical, legal, and economic issues. Abbreviated statements which provide only a summary conclusive statement without narrative documentation are not acceptable; e. g., “Based on my knowledge and experience, there is adequate demand for the property on the open market”. The District Appraisal Standards, which follow these Guidelines, more fully set forth the requirements for a self-contained narrative appraisal.

## K. Appraisal Methodology

Ordinarily, the Before and After method shall be used in all appraisals; this method is discussed more completely in the publication entitled “Appraising Conservation and Historic Preservation Easements”, by Richard J. Roddewig, published jointly by the Land Trust Alliance and the Appraisal Institute (2011). The foundation of the Before and After appraisal methodology is based upon 1) the valuation of the subject property prior to the imposition of a conservation easement and 2) the valuation of the same property as though subject to the easement. The difference between the two values is the value of the conservation easement. In the unlikely event that another method appears appropriate, the appraiser is to submit justification to the District for approval prior to completion of the draft appraisal report.

### 1. Market Conditions

As a part of the valuation process, a thorough investigation and understanding of local and regional real estate market conditions is required. Appraisers must adequately address the issues of 1) exposure time as provided for in USPAP, and 2) marketing time as discussed in Advisory Opinion (AO) 7, appended to USPAP. Data that are collected and analyzed to estimate value are also used by the appraiser to formulate highest and best use. Without interaction in the marketplace, highest and best use would not exist and it would not be possible to estimate market value.

The appraiser is expected to provide a thorough discussion of market conditions that are anticipated to influence the marketability of the subject property based on the highest and best use conclusion; this applies to the property in both the Before and After condition. Narrative discussion is to include supporting documentation for recent, present, as well as estimated future market performance.

Market analysis consists of the following components:

- Delineation of the market area according to type of use, property location, types of similar properties, geographic range of competitive properties, and the principle of substitution as applied to comparable properties;
- Examination of the effect of market conditions on the delineated area based on the current supply and demand situation, and the relation of market conditions to the highest and best use of the property.

## 2. Analysis of Development Rights

One of the most challenging aspects of the highest and best use analysis is determining the number of development rights. Certainly, zoning and General or Specific Plan criteria set forth the legally permissible foundation. Examples of other defining or limiting elements are:

- 1) the effect of Certificates of Compliance;
- 2) the effect of minor or major subdivision applications;
- 3) existing Assessor's parcels that may or may not be legal lots;
- 4) the ability of soils to successfully percolate, which can be a function of soil quality, water table, and/or flood zone location;
- 5) the physical limitations of the property;
- 6) the degree of interrelationship of property development with other resources, such as timber or wetlands;
- 7) the effect of a Land Conservation Contract or Agreement pursuant to the Williamson Act on the ability to subdivide the property;
- 8) the status of any existing residences, i.e., primary, non-conforming, caretaker housing.
  - Unless there is clear and verifiable evidence of the existence of Certificates of Compliance or Assessor's parcels constituting legal lots, the appraiser is not to assume that they do exist. Clear and verifiable evidence means either recorded documentation or a written determination from the Sonoma County PRMD.
  - Unless there is a specific report from a soils consultant indicating the acceptability of soils for septic system percolation, the appraiser is not to unconditionally assume that septic systems can be established on any individual legal lot.
  - In concluding the number of development rights assumed by the appraiser for any particular property, the appraiser is to thoroughly document the basis upon which the conclusion is made.

## 3. Timber Valuation

Occasionally, a property to be appraised may be the subject of a Timber Harvest Plan (THP) or Non-Industrial Timber Management Plan (NTMP). Also, a property may be located within a recognized area of commercial timber harvesting. Where a timber appraisal is required, it is to be completed by a qualified professional expert. Such an appraisal is to reflect the net merchantable value, or "stumpage" value, of marketable

timber to the property owner. The timber appraiser is to verify and discuss all estimates and costs associated with reduction of values from gross to net, including details of the timber cruise, existing or proposed THP's or NTMP's, the basis for determination of gross or delivered log value, logging, hauling, road construction, and administrative sales costs, and timber yield tax.

In the event that a THP or NTMP has not been approved for the property, the assumption made by the timber appraiser as to recoverable timber volume is to be based on a reasonably anticipated Plan that would be approved by the California Department of Fire and Forestry Protection (CAL FIRE).

The District's appraiser is to consider the effect of any timber appraisal in the valuation of the property, both as a part of the highest and best use analysis and as a component of the property value. Reference is made to Section "O", Unit Rule, to avoid improper application of the timber value.

#### 4. Valuation of Lands Suitable for Viticulture

In numerous instances, property owners have represented that lands are suitable for viticultural production. Since this can be a major element of value in a particular property, it is imperative that the appraiser thoroughly document and qualify the suitability of any property for this purpose. The appraiser must differentiate between lands that have previously been planted for intensive agricultural purposes, such as tree crops, and those that have not been put to intensive agricultural use.

Consideration of soil conditions, water table and irrigation sources, drainage, slopes, viticultural area, climatology, predominant neighboring agricultural uses, and varieties typical for the region are all factors in the determination of viticultural suitability. The appraiser should not assume that the subject property will support vineyard use unless there is sufficient evidence prepared by a professional expert to support such an assumption.

#### 5. Merger of Existing Lots

Where the District is acquiring an easement interest, the District may require the merging of existing legal lots and/or Assessor's parcels as a condition of easement acquisition. The number of resultant merged lots will be dependent in part upon the number of development rights to be retained in the After condition. The appraiser should give consideration to the effect, if any, that this merger requirement will have on the development potential and the marketability of the property in the After condition.

### L. Approaches to Value

#### 1. Sales Comparison Approach

The sales comparison approach to value is the most commonly applied approach in the valuation of conservation easements. This approach utilizes comparable market

data selected by the appraiser; this data is then verified, analyzed, and adjusted for differences between the subject and each comparable.

Appraisers are expected to apply conventional methodology in the application of the sales comparison approach. Use of statistical regression analyses or other methodology in lieu of the standard adjustment procedure involving the application of qualitative and quantitative adjustments and use of adjustment charts should not be relied upon as the primary method of valuation, but may be utilized to support conclusions of value derived by generally accepted adjustment procedures.

## 2. Income Approach

The income approach may be utilized if the highest and best use includes an income producing asset which is typically valued by buyers based on an anticipated income stream, such as billboards or antenna sites. Also, in instances where a proposed conservation easement is so restrictive that only a limited use of the property remains, such as grazing, the income approach may be applied. However, use of the income approach in these instances requires adequate documentation by the appraiser as to lease and capitalization rates extracted from the market.

The income approach should not be used in the following situations:

- 1) Where the sales comparison approach is feasible and sufficiently reliable.
- 2) Where the income producing asset has not been established, i.e., assuming an income stream from a vineyard which has not yet been planted.
- 3) Where the income producing capability of the asset varies significantly from year to year and/or cannot reliably be projected into the future.

## 3. Cost Approach

The cost approach involves a determination of the value of the land and the depreciated replacement cost of any improvements contributing value to the land, giving consideration to physical, economic, or external obsolescence. Use of the cost approach is generally not applicable since property interests acquired by the District are almost always exclusive of existing improvements.

## 4. Subdivision Development Analysis Approach

Use of only this method of analysis is discouraged by the District, primarily because it can involve a significant number of variables with a resulting increased level of speculation. California Appellate court rulings have held that the subdivision development analysis method is improper in the valuation of property under eminent domain proceedings.<sup>6</sup>

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<sup>6</sup> Contra Costa Water District vs. Bar C Ranch, 5 Cal. App. 4<sup>th</sup> 652 (1987).

If it can be demonstrated that there is simply little or no adequate comparable market data available due to the extraordinary nature of the subject property's highest and best use, the subdivision development approach may be utilized as an alternate approach to value subject to the following conditions:

- 1) Prior to implementing this approach as a sole method of valuation, the appraiser shall have adequately demonstrated to the District that there is inadequate comparable market data for use of the sales comparison approach;
- 2) The subdivision must be legally, physically, and economically feasible;
- 3) The project must have an approved and current Tentative Map and appropriate documentation must be provided from PRMD to this effect, or sufficient evidence of existing legal lots must be provided;
- 4) Water sources and septic waste disposal systems for each lot must be documented;
- 5) Direct and indirect costs associated with development of the property must be provided by a registered civil engineer who has familiarity with the type of development contemplated;
- 6) The appraiser must provide sufficient evidence of market absorption and demand for the lots as subdivided and in a marketable condition. Sales and administration costs and discount rates must be based upon verifiable data abstracted from similar projects or the industry.

If the appraiser elects to use both the subdivision development approach and sales comparison approach, the appraiser must reconcile the two approaches with a preference for the sales comparison approach and explain any differences between the valuation conclusion of each. The sales comparison approach is considered to be more reliable and less speculative.

#### M. Comparable Market Data

##### 1. Conservation Easement Sales

Sales of conservation easements to the District or to other similar agencies are not to be relied upon as a primary indication of the value of a conservation easement being appraised. This is because such purchases by a comparatively limited number of special interest buyers occur within a relatively closed market that is not subject to traditional economic real estate market forces within the open market. However, such sales may be used to support more reliable, non-conservation easement market data under certain conditions. If considered by the appraiser, any such sale requires a complete analysis of the easement rights acquired and the particulars of the transaction, including any elements of a bargain sale or tax consequences that may have affected the price paid for a conservation easement.

## 2. Sales of Properties With Existing Conservation Easements

Sales of properties which are subject to an existing open space or other conservation easement may be considered as comparable market data provided that the appraiser conduct a complete analysis of the easement rights acquired and the particulars of the transaction as indicated in paragraph 1 above. The appraiser must have full documentation of the restrictions of the easements on the property and the impact of the easement on the sale price.

The appraiser should also consider any bargain sales or tax consequences that may have affected prices paid for conservation easements.

## 3. Sales to Public or Quasi-Public Agencies

Sales to public agencies may be used if it can be documented that the acquiring agency purchased the property pursuant to a willing buyer and seller relationship, with no evidence of duress or threat of condemnation. Such a sale must meet the test of an arm's length transaction (see paragraph 11 for further discussion).

The District prefers that such transactions be used as supportive market data for other non-condemnation transactions and that less weight be given to such sales.

## 4. Sale of the Subject Property

In any instance where there has been a sale of some or all of the interest in the subject property within five years of the date of valuation, the appraiser must discuss the terms and conditions of the transaction in accordance with the USPAP. Additionally, the appraiser is to either include the sale as a comparable transaction or explain why the transaction is not an indication of market value for the subject property.

## 5. Use of Listings

Properties that are currently listed on the open market must not be relied upon with the following exception. Only listings that are in escrow (under an accepted contract to purchase) or are under an executed option agreement may be considered, and then only if the terms and conditions of the transaction are discoverable. Further, such a listing may be used subject to the following considerations:

- a) the terms and conditions of the pending sale are discoverable and set forth as part of the discussion of the comparable analysis;
- b) a history of the property listing is disclosed;
- c) a proper adjustment for listing price is made based on the appraiser's analysis of typical sale versus listing prices.

Less reliance is to be placed on listings than on closed transactions. Broker opinions, unexercised options, and expired listings shall not be used as supporting evidence of value.



## 6. Sales of Unlisted Properties

On occasion, a property is sold that was not listed on the open market and the parties to the transaction had knowledge of one another. Examples of such transactions include the purchase of neighboring land by an owner who desires to add to existing holdings, the sale of a property to a long-time lessee, to a partner in a partnership, or the sale of a special purpose property, such as an operating dairy or vineyard, between members of the agricultural community.

The use of any such transaction for comparable purposes requires the appraiser to thoroughly investigate the terms and conditions of the sale, including the motivation of the buyer and seller. If appropriate, adjustments are to be made to reflect the lack of exposure of the property on the open market, the lack of a sales commission, or extraordinary buyer motivation to assemble a property with existing lands. It may be the case that such a transaction is not arm's length.

## 7. Same Comparable Market Data for Before and After Valuation

The District discourages limiting comparable market data only to identical transactions in both the Before and After conditions; this tends to compromise the methodology and the validity of the sales comparison approach. Appraisers are expected to perform comparable data investigations to a degree sufficient to discover properly comparable and different market data for use in both Before and After valuations. Also, almost all of the conservation easements proposed by the District will significantly affect the use and enjoyment of the property from which they are acquired, necessitating the use of dissimilar comparable market data in the Before and After valuations.

If there is a valid rationale for use of the same comparable market data, the appraiser must set forth adequate reasoning for doing so.

## 8. Inspection of Comparable Properties

All comparable properties selected by the appraiser for use in the valuation of a fee or easement acquisition must be inspected by the appraiser prior to submission of the draft appraisal report. The appraiser is required to document the date of inspection and may elect to include photographs of the comparable property (as opposed to topographic maps) in the report. Comparable properties should be inspected within a reasonable timeframe prior to the date of valuation. A comparable property may have undergone changes in use subsequent to the date of sale which could provide additional insight as to buyer motivation; this could be discerned by a current inspection.

## 9. Minimum Number of Comparables

Although it is not the intent of the District to mandate an absolute minimum number of comparable properties for use in the sales comparison approach, it is difficult to formulate a reliable conclusion of value using less than three. Preferably, the District recommends the use of five to seven comparables for both the Before and After

condition valuation, but this can be subject to market conditions. Older comparables may be used and adjusted for time provided that adequate supporting documentation for a time adjustment is provided. However, if as few as three comparables are selected, they should all be closed transactions having a high degree of comparability to the subject, requiring little cumulative adjustment to their respective sale prices.

In the event that the appraiser is unable to discover a sufficient number of comparable properties, an alternate method of valuation may be appropriate; this would require the prior approval of the District.

#### 10. Comparable Property Location

Comparable sales investigations are not necessarily limited to the jurisdiction of the District (Sonoma County). Transactions outside the county may be used if, in the judgment of the appraiser, they are appropriately comparable to the subject property and there are an insufficient number of suitable transactions available within a more immediate geographic area.

#### 11. Arm's Length Transactions

Generally acceptable appraisal practice requires that all comparable property transactions be verified as to whether they are arm's length, i.e., that they meet the test of market value. There may be circumstances under which a transaction is suspect, such as an estate or bankruptcy sale, but if such a sale occurred as a result of reasonable exposure to the market, with no other mitigating factors, it may in fact constitute an arm's length transaction.

It is preferable to utilize arm's length transactions as comparable market data; however, a sale that is determined not to be arm's length may also be included provided that the appraiser fully investigates the terms and conditions of the transaction and provides appropriate support for required adjustments.

#### N. Comparable Data Adjustment Methodology

Qualitative or quantitative adjustments for significant differences between the subject property and each comparable property are to be made by use of either a percentage or dollar amount; it is not appropriate to limit adjustments to "superior" or "inferior". The basis for all adjustments is to be clearly and concisely stated within the appraisal document, to a degree sufficient for the reader to understand the rationale for said basis.

The amount of adjustment is to bear a reasonable relationship to the comparable property sales price, given consideration for highest and best use. For example, a 10% adjustment for lack of septic approval on a property that sold for \$1,500,000 is \$150,000; this may or may not be a reasonable cost.

Typically, comparable properties are adjusted for major differences by a number of relevant categories. The definition and selection of these categories are the province of the appraiser and should relate specifically to the particular physical and market characteristics of the subject property. They should also reflect any previous discussion

by the appraiser of significant aspects of highest and best use, i.e., soil conditions or viticultural potential.

The appraiser should ensure that adjustments made for the range of comparable market data selected are consistent. For example, given a subject property of 100 acres and comparable properties of 200, 500, and 700 acres (all other factors of adjustment being equal), it would typically not be consistent to adjust each comparable upward by 10%. Similarly, if an appraiser adjusts downward by 10% for a comparable property with superior access, it does not follow that a property with inferior access receives no upward adjustment.

Adjustments for the difference in time between the date of the sale of a comparable property and the date of valuation should be carefully analyzed by the appraiser and fully supported by verifiable data. Sources of information may include the Sonoma County Board of Realtors' multiple listing service data, the sale and resale of a similar property type (not required to be comparable data), and other published studies or articles that the appraiser may reference.

### 1. Demolition or Removal of Existing Improvements

Occasionally, the highest and best use determination will assume the demolition or removal of existing improvements. An example would be a dairy which has a highest and best use of rural residential subdivision. By subdividing the property, the dairy use is no longer economically feasible. The existing dairy improvements, because they would be physically incompatible with a subdivision, require removal.

Another example would be the removal of a portion of existing income producing agricultural crops, such as vineyards, to accommodate a residential subdivision where the appraiser has determined that both could co-exist as a highest and best use scenario. In cases such as these, the appraiser must account for the cost of removal of these improvements in the valuation of the property.

### 2. Adjustment for Minor Restrictions of Easements

Certain aspects of an agricultural conservation or forever wild easement can be construed to have some limitation on the use and enjoyment of a property and may not be readily addressed by comparable analysis. The property owner will have to obtain District approvals prior to conducting many activities considered to be routine in the absence of such an easement.

The District accepts that it is reasonable to consider a diminution in value based simply on the ministerial aspects of the proposed easement, and for the appraiser to adjust the comparable property sales accordingly. The degree of adjustment is based upon the restrictiveness of the easement.

### 3. Time Value of Money

In instances where an anticipated income stream from, for example, the sale of a number of lots or the harvesting of timber is projected to extend over some period of

time, the appraiser must analyze, discuss, and provide support for an appropriate discount rate to develop a net present value for the income stream. The discount rate is to reflect the relative degree of risk involved in the investment as compared to other forms of investment in the financial marketplace, and the appraiser must justify the rationale for selection of an appropriate rate.

#### 4. Units of Value

In expressing valuation data and conclusions for the subject and comparable properties, or for other valuation methodology approved by the District, the acceptable unit of value is the price-per-acre for most properties. When comparing properties on the basis of development rights, a price-per-development-right (price per lot) is acceptable as an indication of unit value. Infrequently, non-residential or non-agricultural properties require appraisal and it is appropriate in these instances to apply a price-per-square-foot unit of value.

If more than one unit of value is used, appraisers should ensure that their conclusions of value can be appropriately correlated. For example, the estimated market value of a property as determined by a price-per-acre unit value should reasonably correlate with price per development right.

Comparable adjustment tables are to clearly indicate the appropriate unit of value. Adjusted values for each comparable property should always include a price per unit value.

#### O. Unit Rule

This market value concept, adopted by the courts in the determination of just compensation, requires properties under appraisal to be valued based on the whole of the property, and not the sum of the parts or interests.<sup>7</sup> Generally accepted appraisal standards require an appraiser to analyze the effect on value, if any, of the assembly of the various component parts of a property and to refrain from valuing the whole by adding together the value of the various component parts (see USPAP Standard Rule 1-4(e)). There may be instances where the highest and best use of a particular property includes, for example, rural lot subdivision, timber harvesting, and viticultural use. However, each of these component parts are not necessarily distinctly separate and may be interrelated both physically and aesthetically.

Utilizing the sales comparison approach to value, it is appropriate to make adjustments for differences in degree and type of these different uses between the subject and each comparable. While the appraiser should have at least general knowledge of values for particular components of a property's highest and best use, such as vineyard or timber uses, it is not appropriate to make adjustments based specifically on the additive value of each component. For example, if a timber appraisal specifies a concluded net merchantable timber value based on a particular harvest scenario, it is generally improper

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<sup>7</sup> United States v. Dunnington, 146 U.S. 338, 351 (1982); Bogart v. United States, 169 F.2d 210 (10<sup>th</sup> Cir. 1948); Nebraska v. United States, 164 F.2d 866, 868 (8<sup>th</sup> Cir. 1947), cert. denied, 334 U. S. 815; United States v. 25,936 Acres of Land in Borough of Edgewater, 153 F.2d 277, 279 (3<sup>rd</sup> Cir. 1946); Meadows v. United States, 144 F.2d 751, 752 (4<sup>th</sup> Cir. 1944).

to add this value to the concluded market value for the subject property without further highest and best use analysis.

Except for the following, a property shall not be appraised based on cumulative value:

- Where different zones of use clearly exist, i.e., a low-lying area of wetlands as opposed to a defined upland area with different physical characteristics as parts of the same property. Here, the difference in highest and best use is so distinct that valuation of each of the parts is justifiable if the use of each is independent of the other. If the different land use areas are not separately marketable, analyzing each area and adding the result together to indicate an aggregate value without addressing the impact of the combination on value, which might be positive as well as negative, is not consistent with USPAP.
- Where it has been definitively determined that the subject property is comprised of a number of legal lots. Each lot could be sold separately, and the sale of each lot would not compromise the use and enjoyment of any of the other lots. In this instance, the appraiser must carefully analyze the marketability of such lots, appropriately accounting for any lack of infrastructure such as roads, sewer, water sources, and electrical service. Adjustments are required between each of the subject lots and comparable properties for these differences in addition to any other required adjustments. The appraiser should have sufficiently researched and documented these anticipated costs in order to ensure the accuracy of these adjustments.

1. Supplemental Costs Added to Land Value

It is not appropriate appraisal practice to add discretionary costs to the estimated value of the subject property land and then apply adjustments to comparable market data accordingly. For instance, estimating approximate costs for road improvements, wells, and septic systems and adding these costs to the estimated market value of the land is not acceptable appraisal practice. This is considered to be an inappropriate derivative of the subdivision development analysis approach, which is addressed in Section “L”, paragraph 4 of these Guidelines.

P. Implied Dedication and Public Trust

1. Implied Dedication

Many of the properties in which the District has an interest have a history of physical access by others which may or may not constitute implied dedication; examples are most commonly the establishment of informal trail corridors, and the use of streams, ponds, or areas of scenic vista.

Implied dedication can be derived from adverse possession and prescription as well as by title (see discussion of public trust in paragraph 2 following). The appraiser should be familiar with the concepts of trespass, adverse possession, and prescriptive easement rights.<sup>8</sup> However, the responsibility of the appraiser to make a

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<sup>8</sup> Gion v. City of Santa Cruz and Dietz v. King, 2 Cal. 3d 29 (1970), and Cal. Civil Code Sections 1006-1009 & 813

determination of implied dedication is limited to physical observation and any information obtained from the property owner or other source, such as the State Lands Commission. The District may obtain a legal opinion regarding implied dedication on a case by case basis if necessary. The appraiser is required to address the issue of implied dedication in the appraisal report and to determine what impact, if any, it may have on the market value of the property appraised.

## 2. Public Trust

The public trust is “an affirmation of the duty of the state to protect the people’s common heritage in streams, lakes, marshlands and tidelands...”<sup>9</sup> The courts have recognized recreation and environmental protection among the purposes for which the trust exists. A 1971 California appellate court decision stated in part that “it is extremely important that the public need not be denied the use of recreational water...the rule is that a navigable stream may be used by the public for boating, swimming, fishing, hunting and all recreation purposes”.<sup>10</sup>

In California, the courts have affirmed that members of the public have the right to navigate and to exercise the incidents of navigation in a lawful manner at any point below high water mark on waters of this state which are capable of being navigated by oar or motor propelled small craft.<sup>11</sup>

The protections of the public trust include tidelands, beaches, major lakes and rivers, and the tributaries serving a public trust water. The appraiser is required to consider the public trust interest in any property as an element of the appraisal investigation. It is appropriate to contact the State Lands Commission in order to verify any possible claim of public trust right, and to assess the impact of such a claim on the market value of the property appraised.

## Q. Benefit to Adjacent Property

IRS regulations for the preparation of appraisals for the purpose of charitable contributions require the appraiser to consider any benefits that may accrue to surrounding properties owned by persons related to the owner of the property under appraisement as a result of the acquisition of a conservation easement. While appraisals prepared for the District are not required to address benefit issues as defined by the IRS, the appraiser should recognize that it is against District policy to purchase an interest in open space where the acquisition would relieve the seller of a current or potential regulatory obligation. An example would be a District purchase of rights over property that would have otherwise been required to be dedicated as a result of subdivision approval by the County.

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<sup>9</sup> National Audubon Society v. Superior Court 33 Cal. 3d 419, 441 (1983)

<sup>10</sup> People ex rel. Baker v. Mack, 19 Cal App. 3d 1040, 1044, 97 Cal. Rptr. 440, 454 (3d Dist. 1971)

<sup>11</sup> Ibid.

R. Hazardous Materials

The appraiser is required to observe, to the best of his/her ability, any hazardous materials on the property. The appraiser is not, however, expected to be a hazardous materials or toxics expert and is not required to evaluate the effects of the hazardous material on market value or the costs to remove or remediate such materials, but merely to report observations of such to the District both in the report and prior to completion of the report, if possible.

S. Review and Possible Public Hearings

Appraisers should be aware that each appraisal report will be reviewed for compliance with USPAP and the District's Guidelines and Standards. Additionally the appraisal must reflect the proper application of generally accepted appraisal theory and technique, as well as adequately supported findings and conclusions of value. Appraisers should also realize that their conclusions of value may have to be defended at a public or closed session hearing before the District's Board of Directors or Fiscal Oversight Commission.

Appraisals found not to be in compliance with USPAP and the District's Appraisal Guidelines and Standards will either be returned to the appraiser for amendment or rejected. The rejected appraisal document will remain as a part of the project file in the offices of the District.

T. Appraisal Update

There are a number of varying opinions among users of appraisals as to the length of time that may be allowed to expire before a determination is made to update an opinion of value. Usually, the necessity to update will be based upon such considerations as the type of property appraised, market demand and activity, and recency of comparable market data.

As a condition of a request for proposal for appraisal services, the District will require the appraiser to submit an estimate for an update of the appraisal document within one year of the date of valuation. The decision to perform an update will be that of the District.

U. Confidentiality

As stated in USPAP, neither all nor any part of the appraisal report shall be conveyed to any party other than the District without the written consent of the General Manager. However, the appraiser should be aware that, upon completion of negotiations, or in some instances sooner, the appraisal report and any related correspondence becomes available to the public for inspection and copying.

## ***APPRAISAL REPORT STANDARDS***

The following Standards for the preparation of narrative appraisal reports are presented to assist the appraiser in understanding the scope and content of appraisals prepared for the District. This section is presented in an outline format which has been created by the District in order to exemplify an appropriate appraisal structure. Contract appraisers are not required to follow this format; however, it is recommended that serious consideration be given to the content and structure of the outline for the purpose of providing clarity and continuity to an appraisal report.

Appraisal reports are subject to review by the District's Fiscal Oversight Commission and Board of Directors, by the owner of the property, their consultants, and the public. Therefore, it is imperative that the appraisal be a document that easily and competently conveys information to the lay reader. Whereas it is preferable to provide more narrative discussion in support of a particular conclusion rather than less, extensive or superfluous information not directly related to appraisal issues is not desired.

The Standards include a checklist which will be utilized by the District in reviewing appraisals submitted by contractors for conformity with the District's Guidelines and Standards. This checklist is based on the Standards as contained herein and serves to inform appraisers of deficiencies in their appraisals which require correction or additional narrative.



## Appraisal Report Standards for Self Contained Narrative Appraisals

### 1. Title Page

Sufficient to identify the property/project being appraised, date of valuation and name of appraiser or appraisal firm. Assessor's parcel numbers and the property acreage is to be included on the title page.

### 2. Letter of Transmittal

Include the purpose of the appraisal, identification of the property and easement appraised, the date of valuation, and conclusion(s) of value. The transmittal letter is to be addressed to the Project Manager and signed by the appraiser under contract to the District.

### 3. Certification

Include a signed statement as per USPAP Rule 2-3. State whether reliance was placed on another individual who shared significantly in the responsibility for preparation of the appraisal report and the conclusions of value contained therein.

### 4. Assumptions and Limiting Conditions

Summarize all assumptions (e.g. water, percolation, access, development potential, zoning change, etc.) and limiting conditions made by the appraiser as conditions of valuation analysis and conclusions. Special or unusual assumptions or limiting conditions are to be both stated here and in the body of the appraisal report where appropriate.

### 5. Table of Contents

Reference all exhibits as related to the appropriate sections. Adjustment tables are to follow the sales comparison approach discussion for ease of reference by the reader. Area location maps and property photographs are to either precede or be included in the discussion of property location and description.

### 6. Summary of Salient Facts and Conclusions

This page is to be prepared as a separate section and is to include, but not be limited to, information as indicated on Exhibit "A", attached to and made a part of these requirements. This summary will be used as a synopsis of the appraisal for Fiscal Oversight Commission review.

### 7. Purpose and Function of the Appraisal

Define the purpose of the appraisal, i.e., develop an opinion of market value of all or a portion of a property in fee or easement. Define the function of the appraisal, which

is most commonly to assist the acquiring agency in the negotiation and acquisition process.

8. Definition of Market Value

Refer to page 3 of the Appraisal Guidelines, Section “E”, “Market Value”, for the appropriate definition.

9. Date of Value

State the date of valuation of the property as appropriate.

10. Definition of Rights Acquired

Define the easement or fee interest being acquired. Discuss the existence of mineral rights and whether they are appraised or not.

11. Methodology and Scope of the Appraisal

Describe the process involved in the investigation of the subject property, including dates of property inspections and with whom, interviews with individuals relied upon for specialized opinions not normally within the purview of the appraiser, and sources of data utilized in the discussion of the various characteristics of the property as they affect highest and best use. Reference to compliance with USPAP, as well as the District’s Guidelines and Standards, is also to be included.

Discussion of valuation methodology is to be included in a separate section of the appraisal report.

12. Five Year History of Ownership

Discuss any significant transfers of ownership interest in the property being appraised for a period of five years prior to the date of valuation. Reference any existing or recent listing of the property for sale, or the existence of any option, agreement to purchase, or the like.

13. Property Location and Description

Describe in detail the regional, neighborhood, and immediate locational characteristics of the subject property. Describe in detail all physical attributes of the property, including but not limited to configuration, size, topography, vegetation, views, and improvements, including structures, plantings, and ponds or reservoirs. The level of detail in the description of improvements is a function of the appraisal methodology; i.e., if the property is to be appraised as unimproved, a minimal description of the improvements will suffice.

Additional required information is as follows:

- Property owner name and address, and physical address of property
- Current assessed value and property taxes, as well as any special assessments
- Land area of the subject property and reference to the source of data. If the property owner represents an acreage that is significantly different from other data sources, state this fact and provide support for the acreage assumed for purposes of the appraisal.

14. Description of the Easement

In cases where a conservation easement is being acquired over an appraised property, the purpose of the easement, as well as a synopsis of uses permitted and prohibited by the easement, must be discussed. The draft Deed and Agreement document is to be included in its entirety in the addenda of the appraisal report, and the version is to be noted in the appraisal narrative.

15. Legal Descriptions

Include a reference to a legal description for both the property appraised and the easement to be acquired, if any. Most often, this information will be included in a preliminary title report to be furnished by the District; the property and the easement boundaries will most likely be concurrent.

16. Easements and Encumbrances

Discuss the effect of any title exceptions on the bundle of ownership rights. These would include, but are not limited to, easements, leases, life estates, reversions, deed restrictions, other agreements, lawsuits, and claims of water, mineral, or timber rights. In addition, any unrecorded information known to the appraiser, such as boundary disputes or agreements between the property owner and other parties affecting the use of the property, are to be referenced. Any required legal interpretations will be provided by District counsel upon the request of the appraiser.

17. Area and Neighborhood Description and Trends

Adequately discuss local and regional demographics as they relate to the subject property and the use thereof. General economic trends are also to be discussed and conclusions drawn by the appraiser as to existing as well as future conditions.

18. Soils and Geology

Include a discussion on soil types and underlying geology of particular significance to the property appraised. Particular issues that would potentially limit land use, such as soil creep or slumping, serpentine soils, or wetland containing soils, are to be included for discussion. Also, discuss the proximity of any active earthquake faults or fault traces, and whether the property lies within a Special Studies Zone as defined by the Alquist-Priolo Earthquake Fault Zoning Act.

Soils data is available from the USDA Soils Survey of Sonoma County. Further information regarding soil slumping and geology is available at the Sonoma County Permit Resource Management Department.

19. Environmental Conditions

Discuss the status of the subject property with regard to the existence of known environmental hazards or contamination. Interview the property owner specifically with regard to his or her knowledge of such hazards or contamination. The appraiser is not to make unsupported assumptions regarding the environmental condition of the property.

20. Drainage and Hydrology

Discuss drainage patterns across the subject property and the existence of any creeks or major drainage swales to the extent that they either limit or enhance the use of the property. Determine the appropriate FEMA Flood Zone or Zones applicable to the property and reference the Flood Map Panel.

21. Circulation and Access

Discuss the external access to and from the property, as well as any developed internal access across the property, inclusive of any easements that may be held by others. Include road widths and conditions, and approximate distances from the property to major arterials or highways.

22. Implied Dedication

Discuss evidence of existing public use and the extent, if any, to which public trespass constitutes an implied dedication. Refer to Section “P” of the District Guidelines for further discussion. Address the effect, if any, on market value.

23. Utilities

Describe the extent of public utility service to the subject property, including but not limited to treated water, sanitary sewer, electrical, gas, telephone, and cable utilities. Describe any existing water sources or septic systems on the property. Discuss the suitability of the property for development of water sources or septic systems to the extent possible given the availability of existing information.

24. Zoning and General Plan

Define and discuss all applicable zoning requirements and General Plan policies as related to the subject property. The discussion is to include, but not be limited to:

- permitted uses of the property, permissible density and minimum lot size;

- impact of scenic, biotic, or other resource conservation restrictions on the property;
- application of General Plan policies to the property, such as areas designated as marginal groundwater, wildland fire, or susceptible to landsliding;
- existence of Agricultural Preservation (Williamson Act) Agreements, including qualification as to Type I or II, date of expiration and whether a notice of non-renewal has been filed;
- recognition of recorded Certificates of Compliance (COC's);
- effect of any existing or proposed application for COC's, lot line adjustments, major or minor subdivisions of the property, or other development proposal.

The appraiser is not to make independent assumptions regarding the highest and best use of the property based upon their interpretation of Certificates of Compliance, lot line adjustments, or existing parcel configurations. The total potential number of lots, or development rights, for the property appraised shall be determined by consultation with the County PRMD. The appraiser shall state with which PRMD staff member and on what date the determination was made.

#### 25. Market Conditions and Trends

The appraiser shall provide a thorough discussion of, and adequate support for, significant factors affecting current real estate market conditions. To the extent that source data is available, market trends for the type of property appraised are to be identified and discussed.

#### 26. Highest and Best Use

A thorough discussion of the highest and best use of the subject property in both the Before and After conditions is required. Discuss how each of the components of physical possibility, legal permissibility, financial feasibility, and maximal productivity define highest and best use. The effect of existing easements, encumbrances, leases, contracts, or agreements as they affect the use of the property is to be considered.

Where a conservation easement is being appraised, specific discussion regarding the impact of the P's and P's on the use and enjoyment of the subject property is required. Particular reference is to be made to the appraiser's findings regarding real property market trends and anticipated demand for the subject property as a part of the highest and best use analysis.

The appraiser is to avoid speculative conclusions of highest and best use which may be based on insufficient data or unsupported assumptions. This issue is discussed further in the District's Guidelines.

27. Valuation Methodology

Describe the three approaches to value and discuss the applicability of each to the valuation of the subject property. Discuss any variations to the standard approaches, such as the land residual or subdivision development approach, that may be appropriate, and provide adequate support for the use of such approaches to value.

28. Marketing Exposure and Marketing Time

Discuss the basis for a determination of a reasonable exposure time for the subject property pursuant to USPAP Statements on Appraisal Standards No. 6. Provide the basis for, and an opinion of, reasonable marketing time as discussed in Advisory Opinion AO-7, appended to USPAP.

29. Approaches to Value

Sales Comparison Approach

Discuss the process by which comparable market data was selected for use in this approach; include any limiting factors that required unusual or extraordinary effort in the investigative process, particularly with regard to lack of sufficiently comparable data using conventional techniques. Discuss the unit(s) of comparability used in this approach (i.e., square foot, acre, homesite) and provide justification for each. Substantiate the method of adjustment, either by percentage or dollar amount.

Discuss each of the comparable properties specifically with regard to each of the characteristics of comparability between each of the comparable properties and the subject so that the reader understands the appraiser's rationale for making all appropriate adjustments.

Do not include a comparable for discussion if it is not subsequently included in a comparable property adjustment chart.

Include comparable property adjustment charts to support the narrative discussion of adjustments to individual comparable transactions. The comparable characteristics of the subject property shall be included in the adjustment chart. The order of adjustments for each comparable is: <sup>12</sup>

- 1) Property rights conveyed;
- 2) Financing terms;
- 3) Conditions of sale;
- 4) Expenditures made immediately after purchase;

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<sup>12</sup> Appraisal Institute, The Appraisal of Real Estate, 13th Ed., (Chicago: The Appraisal Institute, 2008), pp 310-311.

- 5) Market conditions;
- 6) Location, physical and economic characteristics.

A separate form for each of the comparable properties is required with a discussion of the following information:

- Parcel reference, property address, assessed value of land and improvements
- Grantor and grantee, interest purchased (if less than full)
- Date of sale, document recording reference
- Date of purchase, length of escrow
- Sale price, documentary transfer tax (full or partial), price per unit of comparability
- Property description, including but not limited to configuration, size, topography, vegetation and/or crops, soils, utilities, significant easements, access, and location characteristics
- Property zoning and General Plan designations, COC's, number of development rights, entitlements and effect of any existing or proposed subdivision maps, lot line adjustment applications, or similar considerations.
- Buyer motivation (if discoverable)
- Party confirming sale
- Terms and conditions of the sale, and any other data that would influence the price paid (i.e., foreclosure, estate sale, bargain sale)
- Photograph of subject property ( if sufficiently large, a USGS topographic or other similar topographic map may be substituted with the property boundaries clearly identified)
- Assessor's parcel map(s)

With particular regard to a conservation easement sale, identify and analyze the structure of the easement and any elements of a bargain sale or other factor that may have influenced the selling price, including possible IRS tax benefits to the seller.

An area location map or maps clearly referencing the location of each of the comparable properties in relation to the subject is to be included in this section of the appraisal report.

30. Cost or Income Approaches (if applicable)

Discuss the necessity for use of either or both of these approaches and provide a definition of the valuation process. The appraiser is cautioned against the improper application of the subdivision development approach; reference is made to the District's Guidelines, Section "L", paragraph 4, regarding the use of this approach to value.

31. Conclusions of Value

Discuss and provide support for conclusions of value for the subject property in both the Before and After conditions. Specifically, discuss the comparable market data as adjusted and the reasoning for the selection of the unit price that is indicative of the estimated market value of the subject property.

Indicate which comparables were primarily relied upon by the appraiser and discuss why. Show all mathematical computations clearly and in a manner that is easily understood by the reader.

If more than one approach to value is utilized, correlate the approaches to value and state the final conclusions as required.

32. Addenda

Information to be included in the addenda, at a minimum:

- Preliminary title report with legal description;
- Draft Conservation Easement document, if applicable;
- Letters, reports, or studies by experts upon which the appraiser has relied in valuing the property;
- Zoning ordinance sections for each of the zoning districts, including combining districts, applicable to the subject property;
- Applicable General Plan texts or excerpts as are necessary to support specific constraints or limitations in the use of the subject property (i.e., groundwater recharge area or earthquake faulting);
- Maps of approved or pending subdivisions, COC's, or other entitlements as necessary to aid the reader in understanding the appraiser's conclusions.

Note: The appraiser may opt to include some of the supporting exhibits, such as subdivision maps or COC maps, in the appropriate narrative portion of the appraisal.



33. Exhibits

- Assessor's parcel map(s)
- Regional and/or area location map (may use map furnished by District)
- Topographic (for larger properties) and aerial maps
- Baseline map (prepared by District)
- From various locations, photos of particular physical attributes (i.e., large rock outcroppings, soil slumping, major creeks), and access to and across property
- Other exhibits as determined to be helpful in graphically depicting property conditions affecting value.

EXHIBIT "A"  
SUMMARY OF SALIENT FACTS AND CONCLUSIONS

A. General Information

1. Property Location: (Address)
2. Owner of Record: (Full Name(s) as indicated on title report)
3. Assessor's Parcels:
4. Site Acreage:
5. Site Description: (EXAMPLE)  
Irregularly shaped  
Improved with two single family residence  
and ag buildings, former dairy property  
Level topography, some areas of ponding  
Wetland containing portions, scattered oaks  
Bisected by SCWA channel
6. Access: (EXAMPLE)  
3,172' frontage along Todd Road  
Legal access from Sunland Avenue  
12.5' – wide steel bridge across SCWA channel
7. Utilities: (EXAMPLE)  
Electrical and telephone service to residence  
Well, septic system, two municipal sewer  
hookups available
8. Present Use:
9. Zoning/General Plan: (Include any data on COC's or maximum number of  
lots permitted by zoning)
10. Easement Valued:\* (EXAMPLE)  
Agricultural Conservation Easement  
One development right retained

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\* Describe the particular type of easement appraised, i.e., Agricultural, Natural Resource

11. Highest and Best Use:

a. Before Condition:

b. After Condition:

B. Appraisal Information

1. Appraiser:

2. Appraisal Methodology:

(EXAMPLE)

Sales comparison approach using comparable property sales and adjustments for major differences

3. Date of Valuation:

4. Market Value Estimate:\*

a. Before Condition:

b. After Condition:

c. Market Value,  
Conservation Easement:

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\* Valuation summary will be modified if fee interest is acquired.