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*The Commission awards the accreditation seal to land conservation organizations that meet national standards for excellence, uphold the public trust and ensure that conservation efforts are permanent.*

# Guidance Document

## Independent Appraisals - Pursuant to Indicator Practice 9J. Purchasing Land

*The Land Trust Accreditation Commission occasionally publishes Guidance Documents to clarify how the Commission will evaluate a land trust's compliance with indicator practices drawn from Land Trust Standards and Practices. These documents may be amended from time to time. Guidance Documents are intended to complement information provided by the Land Trust Alliance on how to implement the practices that can be found at <http://learningcenter.lta.org>.*

### **Scope of Guidance Document**

This *Guidance Document* provides information on how the Land Trust Accreditation Commission evaluates applicant compliance with the independent appraisal requirements of indicator practice 9J. Purchasing Land. The Commission will evaluate applicant compliance against the complete indicator practice. As land trusts have had repeated questions about independent appraisals, guidance on just the appraisal requirements are provided here.

### **Independent Appraisals**

When purchasing land or a conservation easement at fair market value or in a bargain sale, the land trust must document the price it paid to purchase the property with an appraisal that is independent from any appraisal provided solely for the seller of the property. An applicant organization should have at least one of the following to document the purchase price.

- An appraisal commissioned by the land trust.
- An appraisal commissioned by a public agency.
- An appraisal commissioned by a nonprofit partner (if the partner meets the criteria below).
- An appraisal commissioned jointly by the land trust and the landowner.
- A review appraisal of the landowner's appraisal commissioned by the land trust.

### **Indicator Practice 9J. Purchasing Land**

*"If the land trust buys land, easements or other real property, it obtains a qualified independent appraisal to justify the purchase price. However, the land trust may choose to obtain a letter of opinion from a qualified real estate professional in the limited circumstances when a property has a very low economic value or a full appraisal is not feasible before a public auction..."*

*Relevant portions of the indicator practices are excerpted from Land Trust Standards and Practices.*

### Working with Nonprofit Partners

If an applicant worked in partnership with another nonprofit with a similar mission and requirement to spend funds responsibly, then a copy of the appraisal commissioned by the partner may be acceptable documentation of compliance with the appraisal requirement.

### Bargain Sales

The exception to obtaining an independent appraisal for a bargain sale is when the amount paid by the land trust is *de minimis*. *De minimis* generally means that there was a very low dollar value paid. The Commission may also consider an exception to the independent appraisal

requirement if the applicant paid only a small fraction of the value substantiated in an appraisal commissioned by the landowner, provided that the applicant has clear documentation of how it determined the value it paid and how it determined that the amount paid did not result in private inurement or an impermissible private benefit.

#### Low-Value Exception

As specified in the indicator practice, in the limited circumstances when a property has a very low economic value or an appraisal is not feasible before a public auction, the land trust may choose to obtain a letter of opinion from a qualified real estate professional.

#### Area-Wide Appraisals for Uniform, Low-Value Parcels

The Commission may consider an area-wide report containing all sales of certain types of property within a specific area, compiled by a qualified independent appraiser or other qualified real estate professional, when the applicant purchased land or conservation easements in an area where the parcels were generally uniform in their size and/or characteristics and the properties had a low value.

#### Unacceptable Documentation

The following are generally not acceptable documentation of an independent appraisal. In most cases, the documentation listed below would require a review appraisal commissioned by the applicant to be acceptable.

- Relying on the landowner's appraisal or a price set by the landowner.
- Relying on an appraisal of an adjacent property.
- Basing value on tax assessments.
- Basing value on summaries of comparable sales or experience with similar sales compiled by staff, volunteers or other individuals who are not qualified appraisers.
- Relying on a public agency estimate of value that was not derived from an appraisal.

#### Changes in Land Trust Procedures

If an applicant has not consistently obtained independent appraisals in the past, the Commission may require the organization to have a formal policy that now requires it to do so. In addition, the Commission may offer expectations for improvement in this area to organizations that have not obtained independent appraisals in the past. If an accredited land trust submits an application for renewal of its accredited status, the Commission will evaluate the organization's compliance with independent appraisal requirements for projects completed since accreditation was awarded.

#### Documentation for Above-Value Sales

In the limited circumstances when an applicant purchased land or easements above appraised value, the applicant should provide evidence of its justification for the purchase price (such as trend data for market appreciation, range of values of similar purchases, market factors not covered in the appraisal, etc.) and be able to show that there was no private inurement or impermissible private benefit associated with the purchase.

### **Definitions Excerpted from *Land Trust Standards and Practices***

#### Letter of Opinion

A written estimation of a property's value, most often prepared by a qualified appraiser and occasionally prepared by a highly experienced real estate professional. A letter of opinion may be used instead of a qualified independent appraisal when the economic value of the property is so low as to negate concerns about private inurement or private benefit or when a full appraisal is not feasible before a public auction. (A letter of opinion is not sufficient in the case of transactions with insiders.) An appraiser may call this document a Restricted Use Appraisal Report.

### Qualified Independent Appraisal

An independent appraisal prepared in compliance with the Uniform Standards of Professional Appraisal Practice by a state-licensed or state-certified appraiser who has verifiable conservation easement or conservation real estate experience.

### **Notes on Definitions**

Appraisers reviewing this *Guidance Document* provided additional input on the definitions above. A state licensed or certified appraiser will not provide a “letter of opinion.” He/ she may report their appraisal in a “restricted use” format, a “summary” format or a “self-contained” format. Typically, there are three levels of appraiser classification: registered, licensed and certified. Certified is the highest level. Land trusts wishing to know more about qualified appraisals for donated easements may also refer to Treasury Regulation §1.170A-13(c).

### **For more information**

Visit the Land Trust Alliance’s complete online resource, The Learning Center, <http://learningcenter.lta.org> for more information on implementing this practice. See especially the Standards and Practices Curriculum course “Acquiring Land and Conservation Easements and Selling and Transferring Land and Conservation Easements.”

Visit [www.landtrustaccreditation.org](http://www.landtrustaccreditation.org) or call 518-587-3143 for more information on the accreditation