

## **MALPF Appraisal Specifications (dated 07/01/20)**

All appraisals/appraisal reports prepared for the Department of General Services (DGS) for the Maryland Agricultural Land Preservation Foundation (MALPF) program must be fully compliant with the Uniform Standards of Professional Appraisal Practice (USPAP). Appraisal reports must be, at a minimum, prepared as Appraisal Reports, as defined by USPAP.

The Definition of Fair Market Value to be used is:

The fair market value of the land is the price as of the valuation date for the highest and best use of the property which a vendor, willing but not obligated to sell, would accept for the property, and which a purchaser, willing but not obligated to buy would pay for the property if the property was not subject to any restriction imposed under this subtitle.

*Source: Annotated Code of Maryland, Agriculture Article, Section 2-511(1)*

The Definitions of Parent Tract and Developments Rights

The parent tract includes all parcels per the application, that encompass the entire contiguous acreage that is under common ownership prior to the exclusions of any acreage per the application. This may be a single tax map parcel or may include multiple tax map parcels, but should include the entire acreage on any parcel, even if only a portion of that parcel is being considered for easement sale. It **does not** include any tax map parcel which may be contiguous and under common ownership, but for which no portion is being considered for easement sale under this application.

Although, in some jurisdictions, and under some zoning codes, the term development right may have a specific meaning, “On-site development right”, as used in this application, refers to the ability or right to build a residential structure within the property boundaries of the subject property. The number of potential development rights is limited by a variety of legal impediments, including, but not limited to: zoning, the “septic law”, Chesapeake Bay Critical Areas regulations, forest mitigation easements, open space easements, etc. “On-site development rights”, do not include transfer development rights.

These are appraisals of land only (easement area); do not appraise improvements.

Any subject property of less than 50 acres shall be valued as part of a 50 acre parcel and then given a prorated value based on its actual size.

**In the Transmittal letter provide the final value conclusion along with the unit value conclusion.**

In addition, the following must be strictly adhered to.

**A. In the appraisal report, the appraisal must prominently state:**

1. that the appraiser has afforded the property owner(s) the opportunity to accompany the appraiser on the inspection of the subject property;
2. that the appraiser has contacted the MALPF program administrator for the County in which the subject property is located;
3. that the appraiser has considered the effect on value of the exclusion of any existing dwelling(s), associated one (1) acre parcel(s), and associated development right(s) ;
4. that the appraiser has considered the effect on value of the exclusion of any acreage and associated development right(s) that are retained to be retained by the property owner, outside of the effect of the easement;
5. that the appraiser has considered the effect on value of the exclusion of any development right, without associated acreage, that is retained or to be retained by the property owner;
6. the number (or approximate number) of development rights, (a) associated with the parent tract, (b) the number of development rights to be extinguished by the MALPF easement, and (c) the number of development rights to be retained with the parent tract and the source for each; and

**B. The appraiser must use the easement area and lot or development rights exclusions provided by the Department of General Services. If any other source (property owner, program administrator, etc. ) provides conflicting information, the appraiser should contact DGS immediately.**

**C. The description of the subject property must include, at a minimum;**

1. the size of the parent tract and the proposed easement area to be appraised;
2. the location, including the county, town/zip code, street location (street address or North side, East side, both sides, etc)
3. the approximate amount of road frontage (on each road that the subject property fronts), If there is no direct road frontage, how is the property accessed? Is the frontage/access sufficient for development;
4. the zoning of the subject including primary permitted uses and **the base development density, the number of potential development rights on-site and the potential number of transfer development rights.** It is **not** sufficient to simply place a copy of a portion of the zoning ordinance in the body or addenda of the report;

5. a description of the topography including the amount of tillable, pasture, woodland, marshland/wetlands, etc, in both acres and percentage of the easement acreage;
6. provide the subject's soil capability as reported by the application. If your investigation of the soil capability of the subject property is different than what is stated in the application contact us.
7. identification of amount of water frontage and acreage of critical areas, if applicable;
8. what utilities are available as of the date of value and what utilities would be required for future development;
9. the tax map, grid, and parcel(s) reference;
10. the deed reference with a **minimum five year sales/transfer history**, which must include grantor, grantee, sale date, sale price and whether the appraiser considers the transaction to be arms length for each prior sale. If the most recent transfer predates 5 years prior to the date of value, then the appraiser must provide this data for that most recent transfer;
11. a portion of a tax map which includes **all** of the boundaries of the subject property with the boundaries of the subject property highlighted. Tax maps from the Maryland Department of Assessments and Taxation website, which do not show all of the boundaries of the properties will not be accepted.
12. any other pertinent information/characteristic concerning the subject property that the appraiser relied upon, especially if the appraiser is to make an adjustment for the characteristic.

**D. For each comparable sale, the appraiser must, at a minimum identify/provide:**

1. the grantor and the grantee;
2. the date of sale;
3. the sale price and price per acre must be reported before deduction for contributory value of improvements. When deducting/adjusting for the contributory value of improvements, the basis or source for the magnitude of the adjustment must be explained;
4. the location, including the County, town/zip code, street location, and **the distance from the subject property**;
5. the tax map, grid, and parcel(s) reference;

6. the deed reference;
7. zoning (including base development density);
8. number of potential development rights and the number of transfer development rights (TDR's) if applicable; include the source of this information.
9. the size of the property;
10. the approximate amount of road frontage. If there is no direct road frontage, how is the property accessed? If the frontage/access sufficient for development;
11. the sale's soil capability classes and percentages.
12. the (approximate) percentage of tillable, pasture, woodlands, marshland/wetlands etc. A statement similar to "The sale is mostly tillable." is not acceptable;
13. the highest and best use of the comparable sale property;
14. both the data source and verification source for the sale;
15. any other pertinent information/characteristic concerning the sale property that the appraiser relied upon, especially if the appraiser is to make an adjustment for the characteristic;
16. a portion of a tax map which includes **all** of the boundaries of the comparable sale with the boundaries of the comparable sale highlighted. Tax maps from the Maryland Department of Assessments and Taxation website, which do not show all of the boundaries of the properties will not be accepted.

**E. In the analysis of each sale, the appraiser must make quantitative adjustments (percentage or dollar adjustments), not qualitative adjustments. The appraiser must provide specific rationale/support for each adjustment.**

1. explain and support market conditions adjustment, vague reasons such as "the market is appreciating" are not acceptable.
2. explain and support location adjustment, statements such as "the sale has a better location" is not acceptable.
3. explain and support characteristic adjustments, statements such as "the sale has an inferior topography" are not acceptable.

4. the appraiser must include appropriate line item adjustments in the sales comparison approach. Each appraisal should provide, at a minimum, 1) soil capabilities classes of each comparable sale compared to the subject; or 2) tillable, pasture, woodland versus wetland/other ratio. It is not required to adjust for both unless the individual property appraisal specifications require both.
5. **Provide as many comparable sales as are necessary to adequately support the opinion of value, but in no instance provide fewer than four (4) comparable sales.**
6. In addition, if the adjustment grid results in one “outlier” (one adjusted sale that is significantly higher or lower than the other adjusted sales), the appraiser must analyze and explain why the adjustments resulted in the one “outlier”. If a clear explanation cannot be provided, the appraiser should reconsider inclusion of that sale in the sales grid."
7. In concluding a final value, round the unit value to the nearest \$100 and the final value to the nearest \$1,000.

#### **F. Reconciliation:**

In accordance with Standards Rule 2-2 (a) (viii) of USPAP: *“Summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports, opinions, and conclusions...The appraiser must provide sufficient information to enable the client and other intended users to understand the rationale for the opinions and conclusions, including reconciliation of the data and approaches in accordance with Standards Rule 1-6”.*

The reconciliation is the most critical part of the appraisal report so it is essential that it be well-reasoned, well-supported, and well-explained. The appraisal report must provide clear and specific rationale supporting the final conclusion of value. **The final conclusion of value may be based predominately on one of the adjusted sales, as long as that sale is within the range-of-value of the other adjusted sales.** It may be a blended value of two or more of the sales, but must not simply be the mathematical mean/average of the sales. Regardless of the final conclusion of value that is selected, the reasoning behind the selection must be clearly presented. Therefore, a report that simply states, “a concluding of value of \$x,xxx was selected” is not acceptable. A report that simply concludes to the mathematical mean/average of the adjusted sales without explanation is not acceptable. A report that concludes to the “outlier” sale (one adjusted sale that is significantly higher or lower than the other adjusted sales) is not acceptable. Ultimately, the reconciliation should allow the reader to clearly understand why the conclusion of unit value was selected and should be supported by the preponderance of the data.

#### **G. In addition to the USPAP requirements for the appraiser’s certification:**

1. The appraiser’s certification must state that “the appraiser has visually inspected the subject property and has afforded the property owner or their representative the opportunity to accompany the appraiser on the inspection.”

2. The appraiser's certification must state that "all of the comparable sales used in this report have been inspected from at least the public street."

**H. At a minimum, the appraisal reports must contain the following exhibits, etc.**

1. photographs of the subject property;
2. photographs of the comparable sales;
3. sales location map, showing the relative location of the subject property and the comparable sales. This map (and/or the combination of this map and the required tax maps) must be of sufficient detail to allow the client to locate the subject property and the comparable sales in the field;
4. a copy of the appraisal specification page from the DGS contract;
5. any other pertinent exhibits.

**I. The appraiser should provide the appraisal report in PDF to be emailed to [bill.beach@maryland.gov](mailto:bill.beach@maryland.gov) . Each appraisal report must be a separate PDF document and must be named File Number, Last name of property owner or company/corporate name (if so owned) and the last name of the appraiser; such as 01-20-01 Smith Jones**

**J. The appraiser must respond promptly to any request for clarification and/or correction by a Department of General Services Review Appraiser. The response must directly address the issue(s) raised by the DGS Review Appraiser. A lack of response or a response which does not directly address the specific issue(s) can be grounds for removal from the DGS list of Appraisers.**