

State Agriculture Development
Committee Appraisal Conference
2014

Susan E. Payne Executive Director

Housekeeping

- Please Turn off or silence your Cell Phones
- Please make sure we have your correct e-mail, address and phone numbers before you leave.
- Appraisals can be delivered electronically by datamotion. www.datamotion.com
- Do not forget your credit sheets when you leave. Be sure to sign the sign in sheet. One for the State Board of Realtors and one for Tax Assessor Continuing Education Credit if you are a Tax Assessor

Program Overview

Susan Payne – Executive Director SADC

- Total Acreage Preserved over the history of the program -2,248 farms comprising 208,961 Acres in 18 Counties as of May 22, 2014
- Expenditures - \$1,615,577,730
- State cost share has been about 65% or \$1,042,899,456
- County, Municipal and Federal Fund Costs represent 35% or \$572,678,273

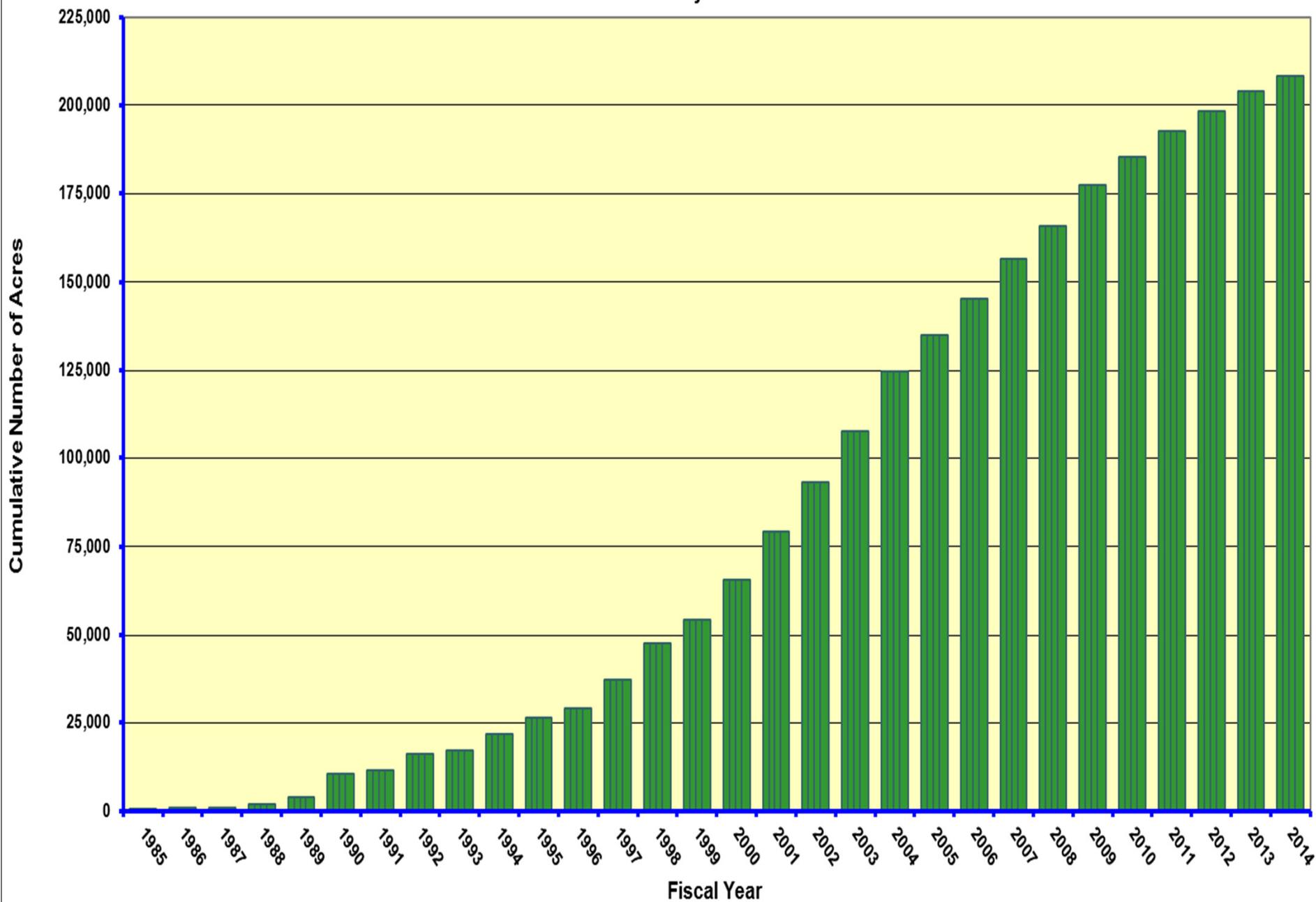
**New Jersey Farmland Preservation Program
SUMMARY of PRESERVED FARMLAND**

Participating Counties	Number of Farms	Percent of Total State Farms	Number of Municipalities	Acres	Average Farm Size	Percent of Total State Acres	Total Cost	Percent of Total Cost for State	Per Acre Total Cost	State Cost	Percent of State Cost for State	Per Acre State Cost	State Cost Share Percent	County/ Municipality/ Fed Fund Cost
Atlantic	48	2.1%	8	5,105	106	2.4%	17,477,982	1.1%	3,423	13,323,505	1.3%	2,610	76%	4,154,477
Bergen	7	0.3%	4	318	45	0.2%	16,016,072	1.0%	50,392	9,719,643	0.9%	30,581	61%	6,296,429
Burlington	203	9.0%	20	25,344	125	12.1%	150,967,470	9.3%	5,957	91,696,500	8.8%	3,618	61%	59,270,971
Camden	13	0.6%	3	988	76	0.5%	14,714,481	0.9%	14,890	8,463,046	0.8%	8,564	58%	6,251,435
Cape May	45	2.0%	6	2,649	59	1.3%	17,044,268	1.1%	6,434	10,310,831	1.0%	3,892	60%	6,733,437
Cumberland	160	7.1%	11	17,698	111	8.5%	45,743,089	2.8%	2,585	33,033,047	3.2%	1,867	72%	12,710,042
Gloucester	158	7.0%	14	12,751	81	6.1%	94,534,553	5.9%	7,414	60,548,821	5.8%	4,749	64%	33,985,732
Hunterdon	372	16.5%	16	30,026	81	14.4%	262,417,459	16.2%	8,740	183,482,622	17.6%	6,111	70%	78,934,837
Mercer	108	4.8%	8	7,920	73	3.8%	101,726,634	6.3%	12,845	61,208,605	5.9%	7,729	60%	40,518,029
Middlesex	51	2.3%	7	4,818	94	2.3%	59,258,486	3.7%	12,299	40,287,675	3.9%	8,362	68%	18,970,611
Monmouth	195	8.7%	10	14,751	76	7.1%	230,299,047	14.3%	15,613	145,056,987	13.9%	9,834	63%	85,242,060
Morris	121	5.4%	14	7,545	62	3.6%	150,844,027	9.3%	19,992	80,519,751	7.7%	10,671	53%	70,324,276
Ocean	48	2.1%	6	3,247	68	1.6%	27,060,259	1.7%	8,333	18,557,928	1.8%	5,715	69%	8,502,330
Passaic	1	0.0%	1	15	15	0.0%	2,566,650	0.2%	171,855	947,409	0.1%	63,435	37%	1,619,241
Salem	250	11.1%	10	31,312	125	15.0%	128,563,701	8.0%	4,106	100,452,222	9.6%	3,208	78%	28,111,479
Somerset	104	4.6%	7	8,035	77	3.8%	127,981,044	7.9%	15,929	74,498,225	7.1%	9,272	58%	53,482,619
Sussex	138	6.1%	14	15,195	110	7.3%	50,454,997	3.1%	3,321	33,961,839	3.3%	2,235	67%	16,493,158
Warren	226	10.1%	18	21,244	94	10.2%	117,907,510	7.3%	5,550	76,830,800	7.4%	3,617	65%	41,076,710
Total State	2,248		177	208,961			1,615,577,730		7,731	1,042,899,456		4,991	65%	572,678,273

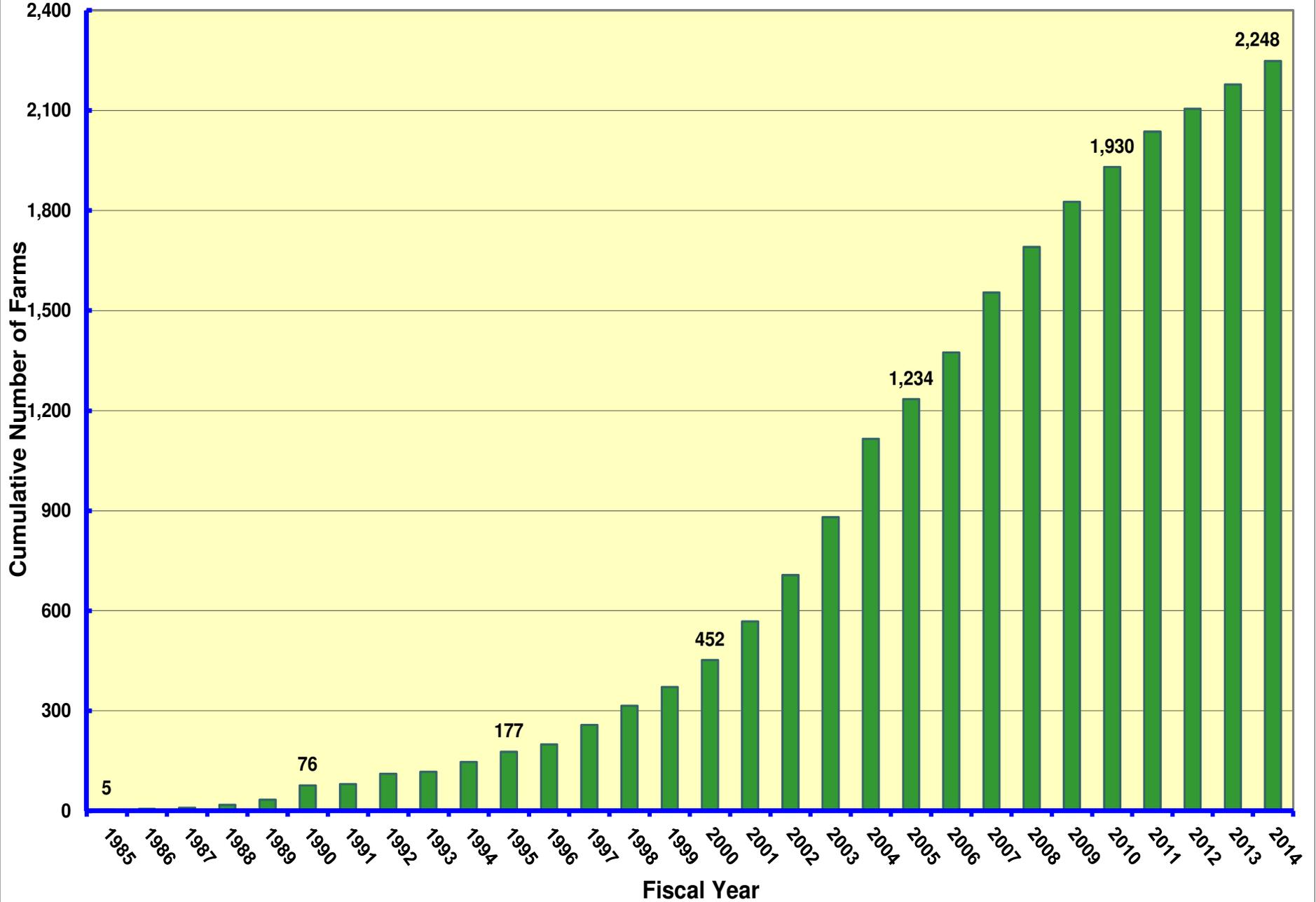
Source: New Jersey State Agriculture Development Committee

As of May 22, 2014

Cumulative Acres Preserved by Fiscal Year



Cumulative Farms Preserved by Fiscal Year



**New Jersey Farmland Preservation Program
PERMANENTLY PRESERVED FARMLAND BY FISCAL YEAR**

Fiscal Year	Number of Farms								Number of Acres							
	County Easement Purchase	Planning Incentive Grants	Non Profit Grants	Fee Simple Purchase	SADC Direct Easement Purchase	Donated and State Owned	Yearly Total	Cumulative Total	County Easement Purchase	Planning Incentive Grants	Non Profit Grants	Fee Simple Purchase	SADC Direct Easement Purchase	Donated and State Owned	Yearly Total	Cumulative Total
1985	5						5	5	608						608	608
1986	1						1	6	160						160	768
1987	3						3	9	249						249	1,017
1988	9						9	18	859						859	1,875
1989	16						16	34	2,190						2,190	4,065
1990	41					1	42	76	6,300					142	6,441	10,506
1991	3			2			5	81	447			524			971	11,477
1992	30						30	111	4,641						4,641	16,118
1993	6						6	117	1,121						1,121	17,240
1994	28			2			30	147	4,225			491			4,716	21,956
1995	29			1			30	177	4,275			233			4,508	26,464
1996	23						23	200	2,695						2,695	29,159
1997	53			3		2	58	258	7,040			702		635	8,377	37,536
1998	52			3		2	57	315	8,835			1,012		291	10,138	47,674
1999	54			2		1	57	372	6,104			293		105	6,502	54,177
2000	68			8	1	3	80	452	8,567			2,068	237	637	11,508	65,685
2001	92	2	1	6	13	2	116	568	9,485	237	198	732	1,264	1,654	13,569	79,254
2002	103	1	1	11	21	2	139	707	9,692	97	132	1,083	1,894	876	13,774	93,028
2003	93	14	5	6	55	1	174	881	8,405	675	603	526	4,369	100	14,677	107,705
2004	130	34	2	5	59	4	234	1,115	8,781	2,032	116	600	5,108	381	17,018	124,723
2005	64	26		1	28		119	1,234	6,139	1,113		219	2,866		10,336	135,059
2006	82	29	1	5	23		140	1,374	5,270	1,421	32	737	2,781		10,240	145,299
2007	102	49	5	7	17		180	1,554	6,821	2,183	254	848	1,226		11,332	156,631
2008	54	56	6	3	17		136	1,690	3,676	3,210	367	298	1,593		9,145	165,776
2009	47	44	13	1	31		136	1,826	3,222	2,683	1,148	128	4,374		11,555	177,331
2010	53	21	16		14		104	1,930	3,101	1,853	1,659		1,541		8,154	185,485
2011	62	27	4		13		106	2,036	3,536	1,581	269		1,983		7,369	192,854
2012	43	13	3		10		69	2,105	3,308	669	156		1,234		5,366	198,220
2013	29	20	7		17		73	2,178	2,105	1,146	274		2,085		5,610	203,830
2014	37	13	7		13		70	2,248	2,230	271	578		1,301		4,379	208,209
Total	1,412	349	71	65	332	18	2,248		134,083	19,168	5,786	10,495	33,856	4,820	208,209	
% Total	63%	16%	3%	3%	15%	1%			64%	9%	3%	5%	16%	2%		

Source: New Jersey State Agriculture Development Committee

As of May 22, 2014

Appraisal Handbook Amendments

Paul A. Burns Chief Review Appraiser SADC

- Appraisal Order Checklist
- Residential Opportunity Adjustment Guide
- Page 25 - Adjustments of 20% or more
- Page 25 - Mandatory Unrestricted Grid
- Website-
www.state.nj.us/agriculture/sadc/index.shtml
- Click Farmland Preservation, click Appraisals, click farm appraisal resources

Appraisal Order Checklist Changes

- Owner contact information expanded to include e-mail and applicant contact info, location and address of the property
- Blocks and Lots expanded
- Gross Acreage, Adjusted Gross Acreage, Net Acreage
- Elimination of Definition of Farmer, GIS mapping info (out of date), eligibility requirements.

AOC Acreage Section

- **Gross Acreage of Property:** 100 Acres.
- **Total Acreage attributed to Tidelands, Riparian or Border Water (subtract)** - 15 Acres.
- (Do not deduct freshwater, mod-ag. wetlands or interior water
- – consult SADC for acreage)
- **Adjusted Gross Acreage:** = 85 Acres.
- Appraisers shall base their per acre analysis on the adjusted gross acreage
- of the subject tax lot(s) including all exception area acreage. Only riparian,
- tidelands and border water shall be excluded.
- **Total Acreage of Exceptions (subtract from adjusted gross acres)** - 5 Acres.
- (Do not deduct freshwater, mod-ag wetlands or interior water
- – consult SADC staff for acreage)
-
- **ACREAGE TO BE REPORTED IN APPRAISERS CERTIFICATION (Net)** = 80 Acres.
- (Appropriate direction concerning significant tidal, riparian or boundary waters shall be provided to the appraiser. The landowner will only be paid on the net acreage. While the per acre value is based on the adjusted gross acreage, the certification should only apply that per acre figure to the net acreage preserved to give the client an accurate assessment of the total dollars that will be associated with the preservation project. The SADC certifies dollars per acre, not the total dollars, as all projects are subject to a final survey.)

Valuation of Acreage

- Preceding example reflects a farm with Gross Acreage of 100 acres, 15 acres of which are riparian, resulting in an adjusted Gross Acreage of 85.
- The appraiser is to develop a per acre value based on the adjusted gross acreage, meaning his/her grid analysis should compare the subject to the sales as the subject being 85 acres.

Valuation continued

- The 5 acre exception area is still part of the farm and should be included in the per acre analysis (Both in the Before and After appraisal grids)
- Certification Pages, Summary Pages, Letter of Transmittal should all address the subject as being 80 acres, because that is what the landowner can realistically expect to receive in terms of total dollars provided the survey does not significantly alter the acreage.

Before Value Grid

	Subject	Sale 1	Adj.	Sale 2	Adj.
Sale Price		10,000/acre		\$15,000/acre	
Property Rights	Fee Simple	Fee Simple	0	Long Term Lease	+10%
Adj. Price		\$10,000		\$16,500	
Condition of Sale	Arms Length	Arms Length	0	Motivated Seller	-10%
Adj. Price		\$10,000		\$14,850	
Financing Terms	Cash	Cash	0	0% PMM	-10%
Adj. Price		\$10,000		\$13,365	
Market Cond.	5/30/14	1/30/14	+3%	1/25/09	-15%
Adj. Price		\$10,300		\$11,360	
Location	Washington	Washington	0	Jefferson	+10%
Size	85	95	0	20	-20%
Front Feet	10:1	10:1	0	1:1	+5%
Topo	Level	Level	0	Rolling	+5%
Zoning	3 acre residential	3 acre residential	0	20,000 sf	-25%
Easements	None	None	0	Pwr. Line	+10%
Wetlands	None	5%	0	30%	+10%
Septic	20% VL	25% VL	0	80%	+5%
Utilities	E,T	E,T	0	W,S,E,G,T	-10%
Approvals	None	Preliminary	-20%	None	0%
Net Adj.			-20%		-10%
Indicated Value Per Acre		\$8,240		\$10,224	

After Value Grid

	Subject	Sale 1	Adj.	Sale 2	Adj.
Sale Price		5,000 acre		\$5,500/acre	
Property Rights	Fee Simple	Fee Simple	0	Fee simple	0
Adj. Price		\$5,000		\$5,500	
Condition of Sale Adj. Price	Arms Length	Arms Length	0	Arms Length	0
Adj. Price		\$5,000		\$5,500	
Financing Terms	Cash	Cash	0	Cash	0
Adj. Price		\$5,000		\$5,500	
Market Cond. Adj. Price	5/30/14	4/30/14	0	5/25/14	0
Adj. Price		\$5,000		\$5,500	
Location	Washington	Washington	0	Washington	0
Size	85	90	0	80	0
Topo	Level	Level	0	Level	0
Tillable Acres	90%	88%	0	92%	0
Soils (%Prime, Statewide)	85% Prime 15% Statewide	85% Prime 15% Statewide	0	85% Prime 15% Statewide	0
Residential Opportunity	Non Severable Exception	Non Severable Exception	0	Non Severable Exception	0
Other					
Net Adj.			0%		0
Indicated Value Per Acre		\$5,000		\$5,500	

Certification at 80 Acres

Certification will read as this

	Per Acre	Total \$
Acreage 80		
Unrestricted	\$10,000	\$800,000
Restricted	\$5,000	\$400,000
Dev. Easement	\$5,000	\$400,000

Correct

Certification Left at 85 Acres

- Certification should not read

	Per Acre	Total \$
Acreage 85		
Unrestricted	\$10,000	\$850,000
Restricted	\$ 5,000	\$425,000
Dev. Easement	\$ 5,000	\$425,000

Incorrect

Page 14

- Page 14: Deletion of Phrase” if he so chooses” from example.
- Reason: The phrase has been sometimes wrongly interpreted that an appraiser does not have to consider the area of the exception when developing the per acre value of the property. In fact, the appraiser must consider the adjusted gross acreage of the tax lot(s) in application when analyzing the subject property in order to develop the per acre value of the subject. It is only when the appraiser presents his or her certification of value or conclusions that he or she should apply the per acre value derived from the adjusted gross acreage analysis to the net acreage to be preserved in order to reflect the amount of total dollar compensation the landowner could realistically expect to receive. The appraiser should be aware that this figure is subject to change upon completion of a survey.

Used to look like

- *For example: If a property is actually 100 acres, but the owner has retained a 3 acre exception, the appraiser if ~~he so chooses, can~~ reports the subject size as 100 acres for purpose of analysis in his or her before and after grids. On the appraiser's certification however, the SADC still requires that the appraiser report the acreage as 97 acres. Typically, there will be no measurable impact to the per acre value. In instances where the exceptions(s) constitute a larger area of the farm or contribute significantly to the value of the overall property, the above example may become critical to the accurate valuation of the property's unrestricted and deed restricted values.*

To Rehash – Regarding the Subject Acreage

- Use the adjusted gross acreage from the Appraisal Order Checklist for purposes of analysis
- Report net acreage from the AOC in your certification
- Do not use Tax Map Acreage
- Do not use Deed Acreage
- Do not use GIS Acreage
- If the Acreage is significantly different in any of these to the point where you do not feel you are providing a reliable analysis of the per acre value, please notify your client and we will work to resolve it in the AOC.

Residential Opportunity Guide

- All exceptions that allow for a dwelling are to be treated as though they are a residential opportunity regardless if they are severable or non-severable.
- Existing Dwellings – It's not an analysis of the building contribution only the effect on the land in the form of a residential opportunity.
- RDSO – Stands for Residual Dwelling Site Opportunity and is a very specific form of residential opportunity. The resident must be actively engaged in the farming operation.
- Keep in mind, commercial and other uses need to be considered as to their impact on value as well.

Residential Opportunity Adjustment Guide

Subject Has	1. Sale has RDSO	2. Sale has Non Severable Exception	3. Sale has Existing Residence	4. Sale has Severable Exception	5. Sale has No Residential Opportunity
A. RDSO	A1 Subject is Equal	A2 Subject is Inferior or Equal	A3 Subject is Inferior or Equal	A4 Subject is Inferior or Equal	A5 Subject is Superior
B. Non-Severable Exception	B1 Subject is Superior or Equal	B2 Subject is Equal	B3 Subject is Superior or Equal	B4 Subject is Inferior of Equal	B5 Subject is Superior
C. Existing Residence	c1 Subject is Superior or Equal	c2 Subject is Equal or Inferior	c3 Subject is Equal	c4 Subject is Inferior or Equal	c5 Subject is Superior
D. Severable Exception	D1 Subject is Superior or Equal	D2 Subject is Superior or Equal	D3 Subject is Superior or Equal	D4 Subject is Equal	D5 Subject is Superior
E. No Res. Opportunity	E1 Subject is Inferior	E2 Subject is Inferior	E3 Subject is Inferior	E4 Subject is Inferior	E5 Subject is Equal

Page 25 Adjustments Greater than 20%

- Page 25: Adding the phrases;
 - of the adjustment should be detailed and reasonably qualified or quantified.
 - And - This does not mean an appraiser cannot make adjustments of greater than +/- 20%, only that such adjustments should be clearly supported by evidence or factual data that the appraiser can present.
- Reason: Provide greater clarity to the sentence; If Appraisals are found to make assumptions regarding large adjustments of +20 or -20% or greater the explanation, including presentation of any specific data or observations the appraiser relied upon in deriving that adjustment.
- The sentence currently reads: If Appraisals are found to make assumptions regarding large adjustments of +20 or -20% or greater the explanation, including presentation of any specific data or observations the appraiser relied upon in deriving that adjustment.

The sentence will now read

- *If Appraisals are found to make assumptions regarding large adjustments of +20 or -20% or greater the explanation of the adjustment should be detailed and reasonably qualified or quantified, including presentation of any specific data or observations the appraiser relied upon in deriving that adjustment. This does not mean an appraiser cannot make adjustments of greater than +/- 20%, only that such adjustments should be clearly supported by evidence or factual data that the appraiser can present.*

Mandatory Grid

- Page 25: Sentence moved from last paragraph on page 24 with language added: The sentence formerly read:
 - The use of the following grid is mandatory when the highest and best use is residential development. The appraiser should utilize sales, which most closely resemble the conditions on the subject property. The value conclusion should be expressed as a per acre figure and a total figure for the property. In the reconciliation, discuss sales thoroughly and indicate which were emphasized.
 - It will now read: The use of the following grid is mandatory when the highest and best use of the subject is current/future residential development of raw land. The appraiser should utilize sales, which most closely resemble the conditions on the subject property. The value conclusion should be expressed as a per acre figure and a total figure for the property. In the reconciliation, discuss sales thoroughly and indicate which were emphasized.
- Reason: This sentence should come directly before the grid example it refers to. The sentence about 20% adjustments should come directly after the discussion of adjustments in the preceding paragraph.

Highest and Best Use and Grid Selection

- Unrestricted Raw Land – As is – Highest and Best Use is for residential or future residential you must use our grid.
- Unrestricted – has residential development approvals – develop your own grid if the approvals represent the highest and best use.
- Unrestricted – highest and best use is commercial/industrial you may need to develop your own grid.
- Unrestricted – highest and best use is agriculture for the foreseeable future – Use the deed restricted grid or some grid more suited to the particular agricultural operation you are valuing. This is more likely to occur in the Pinelands AP, SAP and Preservation zones , and the Highlands Preservation Zones
- Restricted – Highest and Best Use is agriculture – you must use our grid.
- Residential Estate – you may want to consider valuation on a lot basis, not using our grid.

UNRESTRICTED LAND SALES ANALYSIS

SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4
Property Address				
Owner / Grantor				
Size in Acres				
Date of Sale				
Sale Price - Land Only				
Sale Price / Acre				
Property Rights Adjusted Value	0%	0%	0%	0%
Condition of Sale Adjusted Value	0%	0%	0%	0%
Financing Terms Adjusted Value	0%	0%	0%	0%
Market Conditions Adjusted Value	0%	0%	0%	0%
ADJUSTED PRICE/ ACRE				
Location	0%	0%	0%	0%
Size in Acres	0%	0%	0%	0%
Front Feet /Acre	0%	0%	0%	0%
Topography	0%	0%	0%	0%
Zoning	0%	0%	0%	0%
Easements	0%	0%	0%	0%
Wetlands (%)	0%	0%	0%	0%
Soils (% Very Ltd.)	0%	0%	0%	0%
Public Water / Sewer	0%	0%	0%	0%
Other	0%	0%	0%	0%
Net Adjustment	0%	0%	0%	0%
INDICATED VALUE PER ACRE	\$0	\$0	\$0	\$0
Mean Price/Acre Unadjusted				
Mean Price/Acre After Adjustment				

RESTRICTED LAND SALES ANALYSIS

	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4
Property Address	Spring Road Millstone				
Owner / Grantor	Farmer Bill				
Farm Size in Acres	100.0				
Date of Sale	NA				
Sale Price - Land Only					
Sale Price / Acre	NA				
Property Rights Adjusted Value		0%	0%	0%	0%
Condition of Sale Adjusted Value		0%	0%	0%	0%
Financing Terms Adjusted Value		0%	0%	0%	0%
Market Conditions Adjusted Value		0%	0%	0%	0%
ADJUSTED PRICE/ ACRE					
Location	Average	0%	0%	0%	0%
Size in Acres	100.0	0%	0%	0%	0%
Topography	Gentle Roll	0%	0%	0%	0%
Tillable Acres (%)	75%	0%	0%	0%	0%
Soils (% Prime)	75%	0%	0%	0%	0%
Res. Opp.	None	0%	0%	0%	0%
Other	None	0%	0%	0%	0%
Net Adjustment		0%	0%	0%	0%
INDICATED VALUE PER ACRE		\$0	\$0	\$0	\$0
Mean Price/Acre Unadjusted		\$0			
Mean Price / Acre After Adjustment		\$0			

Potential Changes on Horizon

- Hypothetical Appraisal based on Zoning and Environmental Regulations as of 1/1/04

Deed Restricted Comparable Sales

- www.state.nj.us/agriculture/sadc/index.shtml
- Click Farmland Preservation, click Appraisals, click farm appraisal resources
- Go to Resale Information

Avg. Price Per Acre over the last 3 years county by county

- Atlantic: \$6,700 2 sales
- Bergen: \$114,060 1 sale
- Burlington: \$6,660 4 sales
- Cape May: \$9,361 1 sale
- Cumberland: \$3,669 2 sales
- Gloucester: \$7,635 6 sales
- Hunterdon: \$6,515 9 sales
- Mercer: \$7,492 6 sales
- Middlesex: \$8,355 2 sales
- Monmouth : \$12,248 5 sales

Continued

- Morris: \$11,441 3 sales
- Salem: \$ 3,975 12 sales
- Somerset: \$19,170 5 sales
- Sussex: \$9,165 5 sales
- Warren: \$9,277 3 sales

Adjustments

- Keys to remember
- The more adjustments you have to make to a sale may be an indicator that the sale is less comparable as an indicator of value.
- Net adjustment may appear to be within a reasonable range, but a sale requiring significant gross adjustment may or may not be your best indicator of value.

	Subject	Sale 1	Adj.	Sale 2	Adj.
Sale Price		10,000/acre		\$15,000/acre	
Property Rights	Fee Simple	Fee Simple	0	Long Term Lease	+10%
Adj. Price		\$10,000		\$16,500	
Condition of Sale	Arms Length	Arms Length	0	Motivated Seller	-10%
Adj. Price		\$10,000		\$14,850	
Financing Terms	Cash	Cash	0	0% PMM	-10%
Adj. Price		\$10,000		\$13,365	
Market Cond.	5/30/14	1/30/14	+3%	1/25/09	-15%
Adj. Price		\$10,300		\$11,360	
Location	Washington	Washington	0	Jefferson	+10%
Size	100	95	0	20	-20%
Front Feet	10:1	10:1	0	1:1	+5%
Topography	Level	Level	0	Rolling	+5%
Zoning	3 acre residential	3 acre residential	0	20,000 sf	-25%
Easements	None	None	0	Pwr. Line	+10%
Wetlands	None	5%	0	30%	+10%
Septic	20% VL	25% VL	0	80%	+5%
Utilities	E,T	E,T	0	W,S,E,G,T	-10%
Approvals	None	Preliminary	-20%	None	0%
Net Adj.			-20%		-10%
Indicated Value Per Acre		\$8,240		\$10,224	

Which sale was more reliable as an indicator

- Whereas sale 1 had to be adjusted for approvals and had greater net adjustment it seems to be a reasonable indicator.
- Overall it required 23% gross adjustment whereas sale 2, reflecting a net adjustment of only 10% actually required 145% gross adjustment

Individual Adjustments

- Improvements
- Most appraisers take this adjustment in total dollars applied to the sale price.
- Should be a sticks and bricks value (land not included)
- Can be deducted in the sales write up and applied to the grid, or taken directly on the grid.

Improvement adjustment example

- Property sold 100 acres at \$1,500,000 including a house
- Contributory Value of the house - \$200,000
- The appraiser may subtract \$200,000 and report an adjusted sale price of
 $\$1,300,000 / 100 \text{ acres} = \$13,000 \text{ per acre}$
instead of \$15,000 per acre

Example 1: Deducted in sales write up and applied to the grid

	Subject	Sale 1
Sale Price		\$1,300,000
Acreage	80	100
Price per acre		\$13,000

Example 2: Shown on the grid

	Subject	Sale 1
Sale Price		\$1,500,000
Improvements	Land Only	-\$200,000
Adjusted Sale Price		\$1,300,000
Acreage	80	100
Price per acre		\$13,000

Adjustments

- Unrestricted Grid
- First Four
 - Property Rights
 - Condition of Sale
 - Financing
 - Market Conditions
- The key to all these adjustments (and any adjustment) is your explanation of why you are making an adjustment and what it is based on – not just that you are making an adjustment.

	Subject	Sale 1	Adj.
Sale Price		\$1,500,000	
Improvements	Land Only	-\$200,000	
Adjusted Sale Price		\$1,300,000	
Acreage	80	100	
Price per acre		\$13,000	
Property Rights	Fee Simple	Under Lease	+5%
Adj. price/acre		\$13,650	
Conditions of sale	Arms Length	No Broker	-5%
Adj. price/acre		\$12,967	
Financing	N/A	3% PMM 10 year 5% down	-5%
Adj. price/acre		\$12,319	
Market Conditions		Increasing 5%/yr	+7%
Adj. price/acre		\$13,181	

Property Rights

- Preservation or Conservation Easements on sales are usually the only time we see this adjustment used in the Farmland Program, but any type of limitation or partial interest could require adjustment.
- Sales of Fee Simple, all rights in place should be used and are preferred in the unrestricted condition and sales of deed restricted land are preferred in the restricted condition.
- Can you prove the adjustment?
- Explanation of the adjustment should include your thought process in making the adjustment, not just that you are making an adjustment or that a condition is superior or inferior.

Examples

- Bad narrative – Sale property is leased.
- Good narrative – Sale property is subject to a long term lease to farm the property. The terms of the lease call for a \$65,000 buyout paid to the lessor for early termination of the lease as of the date of this appraisal. A +5% adjustment is indicated.

Example

- Bad narrative: The sale is deed restricted, the subject is not. A +5% adjustment is warranted.
- Better: The sale is subject to an agricultural deed restriction. The sale property is in the Highlands preservation district. My study of a limited number of sales is currently indicating that sales in the highlands preservation district reflect a 5% premium to deed restricted sales in the same area and utility, as evidenced by sales 3 and 4.

Condition of Sale

- Should be Quantifiable. This is not typically a matter of opinion. You should have factual proof of a condition of sale that is not typical of a normal market transaction.
 - Seller/Buyer confirmation of any non market discounting/premiums paid
 - Pairing Sales or something exhibiting above or below market sales prices
 - Known costs/values included or not included in the sale price, ie. No Broker Commission, included the value of a car, boat etc. – dollar amounts converted to a percentage

	Subject	Sale 1	Adj.	Sale 2	Adj.
Sale Price		\$1,500,000		1,000,000	
Improvements	Land Only	-\$200,000		0	
Adjusted Sale Price		\$1,300,000		\$1,000,000	
Acreage	80	100		100	
Price per acre		\$13,000		\$10,000	
Property Rights	Fee Simple	Fee Simple	0%	Fee Simple	0%
Adj. price/acre		\$13,000		\$10,000	
Conditions of sale	Arms Length	Motivated Buyer	-10%	Motivated Seller	+10%
Adj. price/acre		\$11,700		\$11,000	
Financing	N/A	Cash	0%	Cash	0%
Adj. price/acre		\$11,700		\$11,000	
Market Conditions		Increasing 5%/yr	+7%	Increasing 5%/yr	+10%
Adj. price/acre		\$12,519		\$12,100	

Why 10% - pairing sale 1 and 2

- For purposes of this example we will say that everything else is equal except market conditions.
- Sale 1 had a motivated buyer, \$13,000/acre. According to your research they paid too much, sale 2 had a motivated seller, according to your research the buyer got a discount at \$10,000/acre. The difference between these two is 23%.
- If one is too high and one is too low they would meet at 11.5%. After adjusting for time the difference will narrow even further.
- Is the appraiser required to make the adjustment based on what evidence we have here?

	Subject	Sale 1	Adj.	Sale 2	Adj.
Sale Price		\$1,500,000		1,000,000	
Improvements	Land Only	-\$200,000		0	
Adjusted Sale Price		\$1,300,000		\$1,000,000	
Acreage	80	100		100	
Price per acre		\$13,000		\$10,000	
Property Rights	Fee Simple	Fee Simple	0%	Fee Simple	0%
Adj. price/acre		\$13,000		\$10,000	
Conditions of sale	Arms Length	Motivated Buyer	-15%	Motivated Seller	+15%
Adj. price/acre		\$11,050		\$11,500	
Financing	N/A	Cash	0%	Cash	0%
Adj. price/acre		\$11,050		\$11,500	
Market Conditions	5/31/14	Increasing 5%/yr	+7%	Increasing 5%/yr	+10%
Adj. price/acre		\$11,824		\$12,650	

Financing

- Usually straightforward and quantifiable from a cash equivalent standpoint, but confirm with the buyer/seller that it affected the price paid/sold.
- Again, an explanation is warranted – provide the terms vs. what is normal in the current market.
- Compare the cash equivalent price to sales in the market and be certain that an adjustment is supported.
- Just because someone got an above or below market mortgage, it does not necessarily mean that the price paid was affected.

Market Conditions

- Interpreted from market sources, try to detail where you are getting your conclusion from.
- Government sales/purchases – you need to determine what date they are basing the price paid on. It is often an appraisal date. Sometimes these purchases close years after the agreement or contract date.
- Open Market sales – contract date vs. was price appreciation factored in.

Government Acquisitions

- Also, was the price negotiated higher or lower.
- Was it based on a hypothetical condition/extraordinary assumption...
- Was it a forced sale/condemnation (Do not Use in this program even if it was a settlement)
- See section D-9 in yellow book for guidance on verification

Location

- Source Data is available to support your opinion. MLS, Tax records, mean/median income etc.
- May be evident from your sales array – point it out

Size

- Typically very evident, but sometimes not.
- Again, Look to the sales array or cite other data you may have.

Frontage/Front Feet

- Consider whether superior or inferior frontage has an effect.
- Consider the effect on the shape of the property that the road frontage is reflecting.
- How about Exposure to traffic – multiple roads?
- Is anything in your data indicating the need for an adjustment.

Topography

- Doesn't address wetlands.
- Steep Slopes and Terrain, Woodland Cover tend to be the main categories covered by this adjustment.
- Can be a place to adjust for the need to bridge wetlands or terrain. If an adjustment is not apparent from available market data but the need to bridge is there, the appraiser can consider a cost analysis to replace or install a bridge to determine an appropriate/reasonable adjustment.

Zoning

- Potential Yield – critical adjustment
- Fairly quantifiable in terms of yield difference. Remember, individual adjustments are made as though everything else is equal.
- Higher Density zones are often somewhat offset against lower density zones by ultimately higher lot and home prices. The adjustment and the percent yield difference will likely not be the same.

Zoning Example

- Example: 50 acre farm with 2 acre zoning may yield 20 lots which would sell for \$50,000 each = \$1,000,000
- Similar 50 acre farm with 5 acre zoning may yield 9 lots at \$90,000 = \$810,000.
- Gives you a rationale for an adjustment of 10% to 20% that may be apparent in the market.
- Could it be zero? Could 5 zoning acre be superior?

Easements

- Size of the easement
 - Location on the farm
 - Conditions
 - Conservation
 - Utility
 - Extent
- Do they inhibit development
- Are they affecting value.

Wetlands

- Consider Buffers and impacts as well as just the wetland area.
- If Flood Plain is within wetlands/buffers, don't double adjust. If the flood plain is beyond the buffers, consider the potential impact on development and cost.
- You may want to consider a separate adjustment category for flood plain.

Soils – Before Value

- Septic Suitability: Is this adjustment as significant as it once was?
- Most evident when comparing rocky soils to sandy or loamy soils, or hydric soils to non-hydric.
 - Costs for mounded or advanced systems vs. somewhat/not limited soils that may not need advanced systems. Be careful to find out if mounding is restricted or limited on either your sale or subject.
 - Many towns have downzoned, taking soils into consideration

Utilities

- Can they enhance density?
- Are they an amenity the market pays for?

Approvals

- Most SADC projects do not have approvals, but often the comparable sales do.
- Very important to have sales in your data array that do not have approvals in order to justify your adjustment.
- Interviews with developers or brokers/buyers and sellers
- Back out costs to get back to raw land if all else fails.
- If the subject has approvals, certainly compare on a per lot basis if appropriate.

After Value Adjustments

- Property Rights, Conditions of Sale, Financing are taken case by case just like in the Unrestricted Condition.
- Market Conditions may be a different rate than the unrestricted condition
- Location – May or may not make a difference
- Topography – focus changes from development challenges to farming challenges.
- Road Frontage – not generally important for farmers, but are farm stands important?

Prime/Statewide Important Soils

- Are farmers paying more for these more productive soils?
- Are they always a factor in the value of the property?
 - Estate Buyer/Gentleman Farmer – maybe not
 - The Commercial Farmer – almost always
 - Horse/Animal Farmer?

Tillable Acreage

- Has tended to be more important to buyers who are looking to the farm as a business than those looking to the property as an estate or gentlemen's farm.

Residential Opportunity

- The ability to reside on the farm is almost always superior or at least equal to not having such an ability.
- The smaller the farm, the more evident this will be in the per acre value and conversely the larger the farm, the less apparent it will be.
Area/Regional Lot values will also affect the impact.
- More densely populated or affluent areas tend to exhibit this impact more than rural/less affluent areas.

Magnitude of Adjustment

- Appraisers should keep in mind that percentage adjustments eventually turn into dollars to be paid + or -.
- Example: Let's say a market conditions adjusted sale may reflect \$20,000 per acre.
- The subject is 200 acres.
- Appraiser makes +10% adjustments each for location, soils and zoning
- Each adjustment will equal \$400,000 to the subject ($\$20,000 \times .10 = \$2,000 \times 200$ acres) totaling \$1,200,000.

Magnitude of Adjustment continued

- The adjustments may be justified and supportable
- But the appraiser should ask on each individual adjustment– if all other things are equal, would a buyer pay that dollar amount more for that location, size, zoning etc.

Bracketing Sales to Subject

- It can be advantageous to have sales that bracket higher or lower for the various categories of adjustment
- Larger or Smaller Size
- Higher or Lower Density Zoning
- Higher/Lower Wetlands percentages
- Higher Lower Soils/percentages
- Higher Lower Tillable percentages
- And so on

	Subject	Sale 1	Dif.	Sale 2	Dif.	Sale 3	Dif.	Sale 4	Dif.
Adj. price/acre		\$10,000		\$15,000		\$20,000		\$19,000	
Location	Washington	Franklin	+	Washington	=	Monroe	-	Washington	=
Size	200	250	+	100	-	175	-	150	-
Frontage	25:1	25:1	=	30:1	-	35:1	-	50:1	-
Topo.	Level	Rolling	+	Level	=	Rolling	+	Level	=
Zoning	3 ac. residential	4 ac. Res.	+	3 ac.	=	1 ac.	-	1 ac.	-
Easement	None	None	=	None	=	None	=	Pwr. Line	+
Wetland	8%	25%	+	5%	=	3%	-	3%	-
Septic	20% VL	30%	+	25%	+	15%	-	3%	-
# of difference types			= 2 +6 -0		=5 +1 -2		=1 +1 -6		=2 +1 -5
Mkt. Adjusted Mean	\$16,000	Net +/- differences	6		3		7		6

Bracketing – What to look for

- Significance of the differences
 - Just because there is a measurable difference does that mean an adjustment is required?
 - Can some categories of adjustment be more important than others?
 - How you explain your conclusion becomes critical
 - SADC rules do not allow for the previous grid as an analysis, but certainly it can be helpful for the appraiser's thought process.

Weighted Average vs. Mean

- We require appraisers to report mean unadjusted and adjusted averages, but do not require the appraiser to conclude to the mean average.
- Appraiser could and even should place greatest emphasis on the sale or sales they feel best mimic the subject property.

	Subject	Sale 1	Adj.	Sale 2	Adj.	Sale 3	Adj.	Sale 4	Adj.
Adj. price/acre		\$10,000		\$15,000		\$20,000		\$19,000	
Location	Washington	Franklin	+5%	Washington	=	Monroe	-5%	Washington	=
Size	200	250	+5%	100	-10%	175	=	150	-5%
Frontage	25:1	25:1	=	30:1	=	35:1	=	50:1	-5%
Topography	Level	Rolling	=	Level	=	Rolling	=	Level	=
Zoning	3 ac. residential	4 ac. Res.	+5%	3 ac.	=	1 ac.	-20%	1 ac.	-20%
Easement	None	None	=	None	=	None	=	Pwr. Line	+5%
Wetland	8%	25%	+10%	5%	=	3%	=	3%	-
Septic	20% VL	30%	=	25%	=	15%	=	3%	-
Net Adj.			+25%		-10%		-25%		-25%
Adj. Value/Acre		\$12,500		\$14,250		\$15,000		\$14,250	
Mkt. Adjusted Mean	\$16,000	Mean Adjusted Value	\$14,000			Weighted Average \$13,925	Sale 1 -25% , Sale 2 -50% Sale 3 – 15%, Sale 4 -10%		

Weighted Average

- Sale 1 - \$12,500 per acre x .25 = \$3,125/ac.
- Sale 2 - \$14,250 per acre x .50 = \$7,125/ac.
- Sale 3 - \$15,000 per acre x .15 = \$2,250/ac.
- Sale 4 - \$14,250 per acre x .10 = \$1,425/ac.
- Total/Weighted Average = \$13,925

Conclusion Statement

- This needs to convey the appraiser's final decision
- Did you rely on the mean, weighted average, mixture of the two, relied on 1 sale, 2 sales etc.
- In the example, would it have been reasonable to conclude \$13,000 to \$13,500 per acre given the weight I placed on sales 1 and 2.
- The decision is yours - Just needs to be reasonable and supported.
- You need to be inside your range of adjusted values

Sale of the Subject

- If arms length, and the subject sale was not improved or discounted to the point that you can no longer reconcile it to a vacant land analysis or the market has changed so significantly since the date of sale as to render this sale unreliable, this sale should carry significant and substantial weight in your analysis.
- If not using the sale of the subject as a comparable – please explain why.
- It is not enough to tell me the transaction of the sale of the subject occurred. It needs to be explained, if you are not using it as a comparable.
- **Meriam Webster online definition of analysis - “a careful study of something to learn about its parts, what they do, and how they are related to each other**
- **: an explanation of the nature and meaning of something”**

Wrap Up

- Do not leave without us getting your correct contact information – especially your e-mail.
- Do not leave without getting your continuing education credits
- Make sure that you signed in
- If you are a Tax Assessor, make sure that you signed the separate list for assessors in addition to the regular sign in sheet.
- Thank you all and have a great rest of your day!!