

NEW JERSEY
FARMLAND PRESERVATION PROGRAM
APPRAISER HANDBOOK

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STATE AGRICULTURE DEVELOPMENT COMMITTEE

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APPENDICES

The following Appendices are available upon request by the State Agriculture Development Committee.

- A. Agriculture Retention and Development Act, N.J.S.A. 4:1C-11 et seq., P.L. 1983, c.32
- B. Deed of Easement
- C. Summary of Deed Restricted Sales
- D. Summary of Development Easement Purchased in New Jersey
- E. Summary of Proposed Easement Purchases
- F. County Agriculture Development Board Administrators
- G. SADC Regulations (See Subchapter 10 - Appraisal Handbook Standards)
- H. Garden State Preservation Trust Act, P.L. 1999, c.152, N.J.S.A. 13:8C-1 et seq.

APPRAISAL SUBMISSION PROCEDURE:

Appraisals may be submitted to the Contracting Party (County, Municipality, Nonprofit or SADC) in hard copy or electronically. If an appraisal is submitted electronically:

1. The appraisal must be submitted to the Contracting Party in Portable Document Format (PDF) or a similar format as approved by the SADC.
2. The Contracting Party will submit the appraisal to the SADC for review via the State of New Jersey Office of Information Technology approved secure data exchange site (Datamotion).
3. Any required or requested alterations, corrections or other changes to the appraisal must be made to the entire document and the revised appraisal must be fully resubmitted using the above procedure. Single pages with changes may not be submitted.

OVERVIEW

The Agriculture Retention and Development Act of 1983, as amended and supplemented, provides the basis for the public purchase of development easements on farmland in New Jersey. The State Agriculture and Development Committee (SADC), created by the Right to Farm Act, is responsible for administering the Farmland Preservation Program. The SADC is in, but not of, the Department of Agriculture. Chaired by the Secretary of Agriculture, it consists of 11 members who represent the State and general public's agricultural, fiscal, community and environmental interests.

In November 2014, voters approved a constitutional amendment that would dedicate funding from the corporate business tax (CBT) to New Jersey's conservation programs. The amount of funding available to the Farmland Preservation Program will be determined upon appropriation by the Legislature. The SADC may utilize these funds for purposes including:

- Providing grants to local government units for up to 80% of the cost of acquisition of development easements on farmland, and to qualifying tax-exempt nonprofit organizations for up to 50% of the cost of acquisition of development easements on farmland;
- Providing grants to local government units for up to 80% of the cost of acquisition of fee simple titles to farmland from willing sellers only, and grants to qualifying tax-exempt nonprofit organizations for up to 50% of the cost of acquisition of fee simple titles to farmland from willing sellers;
- Funding the cost of acquisition by the SADC of development easements on farmland;

and

- Funding the cost of acquisition by the SADC of fee simple titles to farmland from willing sellers only, which shall be offered for resale or lease with agricultural deed restrictions.

Under the authority of P.L. 1999, c.180 (C4:1C-43.1 et. seq.), the SADC may provide planning incentive grants to eligible counties and municipalities for the purchase of development easements on farmland. The objective of the program is to preserve significant areas of reasonably contiguous farmland that will promote the long-term viability of agriculture as an industry.

To date, the majority of landowner participation has been through the County Easement Purchase and County Planning Incentive Grant programs, whereby landowners apply to their respective County Agriculture Development Board (CADB) to sell the a development easement on their land to the county. Compensation for this sale is based on the appraised value of the development easement on the land. The landowner retains ownership of the land and is eligible for certain benefits and protections.

The voluntary sale of a development easement by a landowner results in the placement of a permanent deed restriction on the preserved property. The program is entirely voluntary both on the part of the landowner (i.e. seller) and the municipal/county/state government (i.e. buyer). Acquisitions made utilizing state funds are prohibited from occurring through the use of eminent domain.

PROGRAM PROCEDURES FOR THE PURCHASE OF DEVELOPMENT EASEMENTS

The County and Municipal Planning Incentive Grants, Non-profit, SADC Direct Easement, and Fee Simple programs have varying administrative procedures in several respects. However, the following appraisals processes are consistent throughout all programs:

1. A landowner may apply to one of the above-mentioned programs to sell a development easement, pursuant to regulations contained at N.J.A.C. 2:76-1.1 et. seq.
2. The Contracting Agent must review, evaluate and approve the easement purchase application based on relevant rules.
3. The Contracting Agent shall contract with two independent appraisers approved by the State Agriculture Development Committee (SADC) to conduct an appraisal of each of the approved farms, pursuant to N.J.A.C. 2:76-1.1 et. seq. Appraisals must be completed in an "Appraisal Report" format, estimating the values of the land both before and after the preservation easement is considered, with a brief description of the improvements, if any.

4. The appraisers shall estimate the market value of the as is condition of the development easement. The development easement value is the difference between the market value of the as is condition (unrestricted) of the subject property (i.e. "before value") and the market value of the as is condition (restricted- hypothetical) of the subject property (i.e. "after value").

SADC APPRAISAL POLICY

In order to be valid, appraisals submitted to the SADC must be completed and dated within 12 months of the respective application submission, unless exempted as set forth below.

1. Typical Certification of Value:

- a) The SADC Review Appraiser shall examine the appraisals for format errors, omissions, appropriate comparable sales, adjustments, reasonable value judgments, and basis for value conclusions.
- b) The Review Appraiser may request additional information, explanations, and clarifications as needed. The Contracting Agent shall be informed of such requests and is responsible for conveying the information to the Reviewer in a timely manner.
- c) The Review Appraiser shall make a value recommendation to the SADC based on two independent appraisals submitted by the contracting party.
- d) The SADC shall certify or reject the recommended fair market value of the development easement.
- e) Pursuant to N.J.A.C. 2:76-6.8, the SADC's certified market value of the "as is" condition of the development easement shall not be greater than the highest appraised value of the development easement or be less than the lowest independent appraised value of the development easement.

2. Invalidation of Appraisals:

The SADC may find an appraisal invalid if the appraisal does not comply with the appraisal handbook standards at N.J.A.C. 2:76-10, or generally recognized appraisal practices (USPAP)

3. Policy P 52 and Updated Appraisals:

For pre-acquired easements that have received a Certified Market Value from the SADC, the State Agriculture Development Committee maintains the following policy (P – 52) with

respect to the validity of appraisals upon market changes:

The SADC shall allow an SADC-approved CMV to be utilized as the basis for SADC Final Approvals and cost share grants if the CMV is no more than three years old at the time the county, municipality or nonprofit requests Final Approval, provided those entities pre-acquired the easement or fee simple title within 18 months of the CMV date.

In order to facilitate the expenditure of funding and avoid undue burdens to Counties, Municipalities and Nonprofits that have continued to process qualified applications and preserve farms without available SADC grant funds and the ability to obtain SADC Final Approvals, the following will apply:

- a) If the CMV is less than 36 months old at the time of requesting SADC Final Approval and the easement or fee simple title was pre-acquired within 18 months of the CMV date, the original CMV may be utilized as a basis for SADC Final Approval and the corresponding SADC cost share grant.
- b) If the CMV is more than 36 months old at the time of requesting SADC Final Approval, and/or if the easement or fee simple title was not preacquired within 18 months of the CMV, updated appraisals must be submitted to the SADC and a new CMV must be issued.
- c) The SADC will not accept applications for Final Approval unless funding is available to support the issuance of Final Approval and the encumbrance of SADC cost share funds.
- d) Counties, Municipalities and Nonprofits shall adhere to all other applicable SADC rules and policies.
- e) Final Approval requests and required documents shall adhere to all applicable SADC rules and policies.
- f) Pursuant to N.J.A.C. 2:76-6.11(d), the SADC shall provide a cost share on the lower of:
1) the updated CMV, or 2) the purchase price of the development easement.

In the event that the three year period has expired and new appraisals updated to the current date of value are required, the following process shall occur:

- a) The SADC Review Appraiser shall examine the updated appraisals for format errors, omissions, appropriate comparable sales, adjustments, reasonable value judgments, and basis for value conclusions.
- b) The Review Appraiser may request additional information, explanations, and clarifications as needed. The Contracting Agent shall be informed of such requests and is responsible for conveying the information to the Reviewer in a timely manner.

- 1.) If both appraisals are at or higher than the original Certified Market Value (CMV) and if the updated appraisals are found to be complete, accurate and compliant with USPAP and SADC appraisal procedures, the review appraiser will supply a memorandum to the file stating that the appraisals are valid as of the updated date of value and SADC re-certification will not be necessary.
- 2.) If either updated appraised easement value is lower than the original Certified Market Value and if the updated appraisals are found to be complete, accurate and compliant with USPAP and SADC appraisal procedures, the SADC review appraiser shall make a recommendation of value based on the two updated appraisal conclusions. The Committee shall then either certify an amended easement value or reject the recommended fair market value of the development easement.

Prior to or following the SADC's certification of the market value of the "as is" condition of the development easement, the appraiser shall provide a copy of the appraisal report to the Contracting Agent in the required format(s). The appraiser will send an electronic copy in Portable Document Format (PDF) of the completed report (not individual pages) to the SADC using Datamotion or other approved SADC document submission process as required.

APPRAISERS

Approved Appraisers: Appraisers authorized to conduct appraisals of farms must be approved by the State Agriculture Development Committee and re-certified every year pursuant to N.J.A.C. 2:76-6.22. Inclusion on the SADC approved appraiser list applies to individual appraisers only, not to entire appraisal firms.

Contracting With Appraisers: The Contracting Agent shall be responsible for contracting directly with the two independent fee appraisers. The contract should stipulate compliance with the SADC's Appraisal Handbook, as well as any standards and specifications required by the Contracting Agent and other stipulations contained in the Appraisal Order Checklist. It is recommended that the type of report, number of copies, amount and structure of fee, and a completion date be specified. Each appraiser shall use the same acreage, facilitated by having the contract specify the acreage to be used. If the appraiser, during the process, notices differences in the acreage, these issues should be relayed to the Contracting Agent. However, the specified acreage shall not be modified unless and until the county notifies the appraiser that the application shall be amended. A written contract is highly recommended for the protection of both the Contracting Agent and the appraiser. The Contracting Agent should provide the appraisers with as much information as possible such that informed bids for appraisal services can be formulated.

Under no circumstances shall the Contracting Agent or contracting party:

1. Attempt to influence the independent appraiser's opinion of value;
2. Make Appraisal Fees contingent upon concluding a predetermined result or value;
3. Suggest appraisal techniques or philosophies inconsistent with those expressed in this handbook or inconsistent with the Uniform Standards of Professional Appraisal Practice (USPAP); or
4. Encourage or manipulate the independent appraisers to reconcile their final easement values to a predetermined result.

APPRAISALS

Appraisal Considerations:

- (a) **Wetlands:** The Contracting Agent should provide the appraisers with a copy of the State Wetlands maps or a portion thereof for the subject property. The degree of detail of the wetland analysis on the subject and the comparable sales should reflect the importance of the wetlands to the overall value. Consideration should be given to the type of wetlands (i.e. modified agricultural, etc.), location of wetlands, the amount of the wetlands as a percentage of the total area, and any other factors of significance.
- (b) **Pre-existing nonagricultural uses:** Any pre-existing nonagricultural uses identified in the SADC's "Application for An Easement Purchase Cost Share Grant" must be noted in the appraisal report. The appraiser must determine if there is an effect on the development easement value if the existing nonagricultural use is permitted to continue in the "After" situation. Nonagricultural uses in exception areas should also be noted and considered as to their impact on value, consistent with SADC exception policy as defined in this Handbook.
- (c) **Valuation of Farmland in the Pinelands:** Whenever the value of a development easement on farmland to be acquired using constitutionally dedicated moneys in whole or in part is determined based upon the value of any pinelands development credits allocated to the parcel pursuant to P.L. 1979, c.111 (C.13:18A-1 et. seq.) and the pinelands comprehensive management plan adopted pursuant thereto, the SADC shall determine the value of the development easement pursuant to The Garden State Preservation Trust Act, N.J.S.A. 13:8C-1 et seq. and N.J.A.C. 2:76-19 (Valuation of Development Easements in the Pinelands). Appraisers should refer to SADC Appraisal Handbook Supplement Pinelands Area and Agricultural Use Applications.

The SADC shall determine the value of the development easement as well as the "fee simple" value as determined by the Committee of farmland in the Pinelands in accordance with The Garden State Preservation Trust Act, N.J.S.A. 13:8C-1 et seq. and N.J.A.C. 2:76-19 (Valuation of Development Easements in the Pinelands).

Appraisers should refer to SADC Appraisal Handbook Supplement Pinelands Area and Agricultural Use Applications. In the instance of a highest and best use as agriculture in the Before and After conditions, the appraiser shall value the property improvements in accordance with SADC guidelines for appraising improvements on farms in the Pinelands dated January 22, 2003, in which the SADC is instructing appraisers to consider and value certain agricultural improvements including irrigation systems, agricultural buildings (except for agricultural labor housing) and permanent plantings if the highest and best use is agriculture. Appraisers are not to consider structures within exception areas, residential structures and agricultural labor housing. From these appraisals the Committee will determine a “fee simple” based on the two appraiser’s Before Values. The Committee shall also determine an easement with consideration of the before specified agricultural improvements included. Consideration shall be given to the value of any Pinelands Development Credits associated with the property and if deemed appropriate by the appraiser, any other incremental value that may exist.

In addition to the above appraisal procedure to establish a “Before” valuation, the appraiser is directed to conduct an appraisal under a “Before and After” scenario, resulting in an easement value pursuant to N.J.S.A. 4:1C-31 and N.J.A.C. 2:76-19.3. In the instance of a highest and best use as agriculture in the Before and After conditions, the appraiser shall value the property improvements in accordance with SADC guidelines for appraising improvements on farms in the Pinelands dated January 22, 2003. Appraisers are required to value all properties under a Before and After scenario with an easement value conclusion. Consideration shall be given to the value of any Pinelands Development Credits associated with the property and if deemed appropriate by the appraiser, any other incremental value that may exist.

The SADC adopted a supplement to the Appraiser Handbook to assist appraisers when determining the fair market value of property in the Pinelands region, which is titled SADC Appraiser Handbook Supplement Pinelands Area and Agricultural Use Applications. The SADC also provides a guide of on-site development opportunities available to landowners in the Pinelands Agricultural Production, Special Agricultural Production and Preservation Areas.

(d) **Zoning as a Valuation Factor:**

Garden State Preservation Trust Act, N.J.S.A. 13:8C-38j as amended by P. L. 2015, c.5 effective February 5, 2015. If instructed by the contracting authority, appraisers of farmland in the Highlands region shall provide appraisals considering (a) the land use zoning of the lands, and any State environmental laws or Department of Environmental Protection rules and regulations that may affect the value of the lands, subject to the appraisal and in effect at the time of proposed acquisition, and (b) the land use zoning of the lands, and any State environmental laws or Department of Environmental Protection rules and regulations that may affect the value of the lands subject to the appraisal and in effect on January 1, 2004. The higher of those two

values shall be utilized by the committee, a local government unit or a qualifying tax-exempt nonprofit organization as the basis for negotiation with the landowner with respect to the acquisition price for the lands. The landowner shall be provided with both values determined pursuant to this paragraph.

A landowner may waive any of the requirements of this paragraph and may agree to sell the lands for less than the values determined pursuant to this paragraph.

The provisions of this paragraph shall be applicable only to lands the owner of which at the time of the proposed acquisition is the same person who owned the lands on the date of enactment of P.L.2004, c.120 (C.13:20-1 et. seq.), and who has owned the lands continuously since that enactment date or is an immediate family member of that person. The SADC also considers governmental entities (counties or municipalities) and non-profit Farmland Preservation Program easements, or a property in fee simple, to be eligible for such “dual appraisal” consideration .

The Environmental land use laws in Effect as of 1/1/04 include: the “Freshwater Wetlands Protection Act” P.L. 1987 c.156 (C.13:9B-1 et seq.), the Water Supply Management Act.” P.L. 1981, c. 262 (C. 58:1A-1 et seq.), the “Water Pollution Control Act” P.L. 1977, c. 74 (C.58:10A – 1 et seq.), “The Realty Improvement Sewerage and Facilities Act (1954), “ P.L. 1954, c. 199 (C.58:11-23 et seq.), the “Water Quality Planning Act, “ P.L.1977, c.75 (C58:11A-1 et seq.), the “Safe Drinking Water Act, “ P.L.1977, c. 224 (C. 58:12A-1 et seq.), and the Flood Hazard Area Control Act” P.L. 1962, c. 19 (C.58:16A-50 et seq.)

Confirmation of Ownership (See N.J.A.C. 2:76-10.5): For lands subject to the Highlands Water Protection and Planning Act, (August 10, 2004), in order to qualify for a dual appraisal, the appraiser shall receive confirmation from the contracting party that the land to be appraised at the time of proposed acquisition has been owned continuously by the same individual or entity since the enactment of, or is an immediate family member of the person.

(a) A governmental unit or a qualifying tax-exempt nonprofit organization may be eligible for the dual appraisal valuation procedure set forth in N.J.S.A. 13:8C-38j, provided that it:

1. acquired land or an interest in land or is a contract purchaser to acquire land or an interest in land, for farmland preservation purposes pursuant to the Agriculture Retention and Development Act, N.J.S.A. 4:1C-11 et seq. and the Garden State Preservation Trust Act, N.J.S.A. 13:8C-1 et seq.; and
2. submitted a farmland preservation application to the Committee for a grant pursuant to the Agriculture Retention and Development Act, N.J.S.A. 4:1C-11 et seq. and the Garden State Preservation Trust Act, N.J.S.A. 13:8C-1 et seq. within three years of the date of acquisition of the land or interest in land.

(b) If an owner of land transferred ownership to a business entity, such as a corporation,

limited liability company, partnership, or trust, after the date of enactment of P.L. 2004, c.120 (August 10, 2004), the new owner shall be eligible for the valuation procedure set forth in N.J.S.A. 13:8C-38j, provided that the transferring owner, or an immediate family member of the owner, as defined in this subchapter, continues to hold an interest in the business entity or trust.

1. Documentation to be provided by the farmland preservation applicant shall include, but not be limited to, deeds of ownership, Federal tax forms, or other official documentation showing that the original owner has an interest in the business entity or trust.

(c) If the ownership of land has been transferred from a person to an estate after the date of enactment of P.L. 2004, c.120 (August 10, 2004), the estate may be eligible for the valuation procedure set forth in N.J.S.A. 13:8C-38j:

1. Documentation to be provided by the farmland preservation applicant shall include, but not be limited to, deeds of ownership, Federal tax forms, or other official documentation verifying the estate's ownership of the land, and sales receipts and federal tax forms providing proof that the original owner was a farmer as defined in N.J.A.C. 2:76-10.5(c).

(d) The landowner shall submit all required documentation set forth in (b) through (c) above to: the appropriate board, which is the CADB if it has submitted a farmland preservation application to the CADB; to the SADC, if it has submitted a farmland preservation application to the SADC; to a municipal governing body, if it has submitted a farmland preservation to the municipal governing body; and to a non-profit organization, if it has submitted a farmland preservation application to a non-profit organization which intends to apply to the Committee for a grant. SADC and the CADBs are empowered to advise appraisers on whether the subject land is eligible for Dual Appraisal, pursuant to N.J.S.A. 13:8C-38j. Municipal governing bodies and non-profits shall forward the above-listed documentation to the SADC for a determination of whether the subject land is eligible for Dual Appraisal, pursuant to N.J.S.A. 13:8C-38j

Residential Opportunities: This term encompasses exceptions which permit a residence, existing residential units and residual dwelling site opportunities (RDSOs).

Generally, the ability to reside on the property provides an increment of value attributed to the land, which is independent of the actual value of the physical structure (improvement). This ability may exist through an RDSO, existing residential unit, or an exception area, which is not encumbered by the general deed restrictions as contained in the Deed of Easement. The Appraiser should provide an explanation of any adjustments to the subject or comparable properties when reviewing Residential Opportunities.

1. **Exceptions:** In the event there is an "exception" to the application, the CADB should clarify the type of "exception" granted. An "exception" may be one of the following:

- i. **Severable Exception:** An area that is part of an existing Block and Lot owned by the applicant, which will be excluded from the restrictions of the Deed of Easement and may be sold as a separate lot in the future. As a note, there is typically no requirement to subdivide a severable exception prior to or after the deed of easement is executed. In individual cases however, the Contracting Party/grantee may require the landowners to subdivide prior to closing on the deed of easement
- ii. **Non-Severable Exception:** An area that is part of an existing Block and Lot owned by the applicant, which will not be subject to the restrictions of the Deed of Easement but cannot be sold separately from the remaining premises..

All exceptions, both severable and non-severable, shall be considered to determine the impact on the restricted /after value. Specifically, if the purpose of the exception is for residential development, the appraiser is required to consider this as a residential opportunity to the restricted farm. If the intention of the exception is for some other purpose, the impact of the intended purpose (commercial, industrial, non-agricultural uses, rights of ways, equestrian trails etc.) should be considered as to its effect on the restricted farm.

To promote consistency, the appraiser should consider the impact of the exception in the before value as well. This will often have a disproportionate effect, as the before value of the exception area may be negligible to the per acre value. The appraiser should be conscious that the SADC certifies the per acre value and not the total dollar amount. For administrative purposes, when reporting value in the letter of transmittal, certification and summary, the appraiser must use the number of net acres in the appraisal order checklist multiplied by the per acre conclusions. The total dollars are subject to a survey that will not be completed until after the appraisal process.

For example: If a property is 100 acres, but the owner has retained a 3 acre exception, the appraiser 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.

Note: The appraiser shall not consider the impact of the severable exception to the subject property, except if the subdivision exists by final resolution of the municipality as of the date of the appraisal, but the appraiser may consider the impact of separate tax lots that are in unity of use or consistent in use with the larger parcel.

2. **Residential Units:** These consist of existing single family or multi-family units

used for residential purposes. The occupant does not have to be involved in the agricultural operation once the premises are permanently restricted.

3. Residual Dwelling Site Opportunity (RDSO): SADC and the CADBs are authorized to allocate RDSOs on the premises pursuant to N.J.A.C. 2:76-6.17. An “RDSO” means the potential to construct a residential unit and other appurtenant structures on the premises according to N.J.A.C. 2:76-6.17. The exercising of an opportunity to construct a residential unit must later be approved by the easement holder. The residential building must be used for single-family residential housing and its appurtenant uses. Furthermore, the construction and use of the residential unit shall be for agricultural purposes, and the resident of the dwelling must be regularly engaged in common farmsite activities on the premises. Any other restrictions associated with the RDSO (such as maximum house size) should be provided to the appraiser so that proper comparisons can be made.

The appraiser must consider the effect of “Residential Opportunities” on the land value of both the subject farm and comparable sales and, if necessary, make appropriate adjustments. In the event the subject farm contains an RDSO, the appraiser shall consider the impact of the RDSO on the subject farm as a residential opportunity in accordance with N.J.A.C. 2:76-10.7.

At the time of awarding the contract, the Contracting Agent must provide the appraiser with a copy of the SADC’s “Application for An Easement Purchase Cost Share Grant” and the CADB’s approval of the application for clarification of “exceptions,” “existing residential units” and “RDSOs.” The Appraisal Order Checklist must be filled out and signed and provided to the appraiser. The most recent (which includes any revisions) Appraisal Order Checklist should be provided to the appraiser and included in the appraisal report.

(f) Other:

The appraisal report must:

1. Be written and presented in narrative format;
2. Be sufficiently descriptive to enable the reader to ascertain the estimated market value and the rationale for the estimate;
3. Provide detail and depth of analysis that reflect the complexity of the real estate appraised;
 - a. Analyze and report in reasonable detail any prior sales of the property being appraised that occurred within five (5) years preceding the date when the appraisal was prepared;
 - b. Analyze and report in reasonable detail any contracts of sale on the subject property and adhering to the spirit and letter of Advisory Opinion # 1.
4. Analyze and report on current market conditions and trends to the extent they affect the value of the subject property.

5. Acreage: The contracting agent is responsible for determining the acreage on which the value is to be based and each appraiser must use the acreage figure provided by the county to report the value the property. This figure also correlates with the acreage contained in the county's "Application for An Easement Purchase Cost Share Grant" as submitted to the SADC.
6. Riparian Lands: The contracting agent should provide the appraiser with a copy of the State riparian maps as appropriate to assist the appraiser. Any State-claimed riparian lands must be identified and removed from the appraised acreage.
7. Analyze and report Highest and Best Use as Vacant Land and as Improved. The Appraiser must consider the effect of the existing improvements on highest and best use and value of the land, but is only required to value the land.
8. Contain color photographs of all buildings on the subject property in the addenda. The appraiser should provide pictures of all the significant subject buildings and structures. If significant structures are found on the premises to be preserved or in the exception area that are not in the application or appraisal order checklist, the appraiser should contact the contracting agent to determine how they should be treated.
9. Contain a copy of the landowner's application for Development Easement that was relied upon for the appraisal.

DEVELOPMENT EASEMENT VALUATION

THEORY: The ownership of real property is often referred to as a bundle of rights and may be compared to a bundle of sticks wherein each stick represents a distinct and separate right or privilege of ownership. Any or all of the bundle of rights that make up the ownership of real property can be sold, leased, or restricted individually or together (e.g. water rights, mineral rights, right of access, hunting & fishing rights, etc.). Within this concept of ownership, the development rights of a property may be sold to restrict the use of the property. This concept is the theoretical basis for estimating the restricted, "After" value for properties participating in the Farmland Preservation Program.

The rights to be acquired from property for this program are described as development easements. The deed restrictions that will be placed on the property are established in "Acquisition of Development Easements", N.J.A.C. 2:76-6.

A development easement is an interest in land only. As such, it is the difference between the value of the land unrestricted, in the "Before" calculation, and the value of the land restricted under the terms of the Deed of Easement, in the "After" calculation.

The general intent of the deed restriction is to limit the use of the property for agricultural purposes, thereby stabilizing the loss of farmland to non-farm uses. The owner of record may continue to own, farm, sell, or lease the property to others for agricultural purposes. Other uses,

which are compatible with agricultural pursuits, are permitted such as residential/estate uses and certain recreational activities. In certain instances, the value of the property for these uses may be primary in the marketplace, while agricultural value is secondary. This point is frequently illustrated by properties in areas undergoing heavy development pressure, affluent areas and in situations where the land parcel is relatively small in size.

While commercial agriculture may not be the primary motivating force in the purchase of lands being considered for farmland preservation easements, the property may be very desirable as a "rural residence with acreage" or as a "country estate" with the property's value coming from the existing residence on the property or the ability to construct a residence in the future under a residual dwelling site opportunity. In such cases, land value is rooted in the open space amenity provided to the residence or anticipated residence.

The following definitions will help identify distinctions in value:

1. Market Value (unrestricted) MV of the "as is" condition

Market value unrestricted means the market value that the property will bring in the open market under all conditions requisite for a fair sale and which includes all rights of fee simple ownership.

The specific definition of Market Value to be used in all appraisal reports shall read as follows:

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

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

(The Appraisal of Real Estate, 14th edition, page 59)

For properties appraised for federally funded projects requiring "Yellow Book" (Uniform Appraisal Standards for Federal Land Acquisitions) compliant appraisals (see appraisal order checklist), the Federal definition of market value must be used as written in Uniform Appraisal

Standards for Federal Land Acquisitions, Section A-9:

“Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal.”

2. Market Value Restricted MVR

Market Value Restricted is the market value of property subject to the deed restrictions placed on the title of a property as set forth in N.J.A.C. 2:76-6.15. This term may be synonymous with agricultural market value, although in areas under heavy development, an increment of value may be inherent for residential and/or recreational uses with agricultural use being secondary. The restrictions placed on the premises run with the land forever.

3. Agricultural Market Value AMV

Agricultural Market Value can be defined as the market value of property with a present and future highest and best use for agricultural production. This includes consideration of exposure on the market and competition for agricultural property between farmers.

4. Agricultural Value AV

Agricultural Value is a value in use. It can be defined as the value of property based solely on its agricultural productivity. This value does not take into account alternative uses for the property.

For the New Jersey Farmland Preservation Program, Market Value and Market Value Restricted are of primary concern. The value of the development easement is calculated as the Market Value of a property less the Market Value Restricted of that property. Market Value and Agricultural Market Value may be equivalent in areas under nominal development pressure, (i.e. limited alternative uses) although this condition may exist only in limited areas of New Jersey. Theoretically, Market Value Restricted must be some portion of Market Value (unrestricted), since a portion of the bundle of rights, and presumably value, has been acquired by the grantee. In reality, the acquisition of a portion of the bundle of rights simply changes the composition of the buyer pool (i.e. developers and speculators are all but eliminated). Thus, market value restricted could conceivably range from a low approaching Agricultural Value to a high approaching Market Value (unrestricted), depending on the motivations and financial well-being of the buyer pool seeking restricted properties. **IT IS ESSENTIAL THAT THE APPRAISER UNDERSTAND THE COMPOSITION OF THE BUYER POOL AND THEIR MOTIVATIONS FOR PURCHASING A RESTRICTED PARCEL** (i.e. oversized home site/country estate, recreation, nursery, horses, vegetables, space, privacy, etc.).

Based on investigation and analysis of restricted property sales occurring in New Jersey and other northeastern states, it is clear that the market value restricted of agricultural properties often reflects a value increment over and above agricultural value. Agricultural value (i.e. value in use) is estimated solely on the economic productivity of the land utilizing the income capitalization method.

As development pressure in an area increases, increases in market value can be anticipated. Concurrently, agricultural value (value in use) may remain relatively constant. Agricultural market value would increase moderately as the supply of available farmland is diminished and the competition among farmers for the remaining farmland increases. However, market value restricted may be expected to increase proportionately to the increase in market value as development pressure increases if the property's potential residential use (or estate use, recreational use, etc.) as restricted increases over and above its agricultural use. This increase in marketability continues to reflect the limitations imposed by the development easement.

Other state farm preservation programs have initially based development easement values on the difference between the market value of a property and the agricultural value (value in use) of that property. As market sales of restricted properties have gradually become available, emphasis in valuation has shifted to sales comparison and away from economic productivity. Sales data has frequently shown sales prices to be substantially above amounts supported by the agricultural capability of these properties. In fact, this has nearly always been the case in New Jersey, and one may refer a list of re-sales maintained on the SADC website.

APPRAISAL FORMAT

The following is the SADC required appraisal format, which must be strictly adhered to, or the appraisal is at risk of being deemed invalid.

- All values in the report must be expressed in dollars per acre.
- The final value should be expressed in both dollars per acre and total dollars.
- Each report must be valued or formatted as requested. Any factual or mathematic errors, which could result in a value change, may be referred to the county for correction and/or clarification.
- If paper (hard copy) originals are required by the contracting agent, all copies must be in color and bound at the spine. The SADC only requires electronic copies, which should be downloaded to its DataMotion site as a complete document (not individual sections or pages).

PART I SUMMARY

Letter of Transmittal.....

Must contain the estimated value per acre and the total value, the rights appraised, any special instructions to the appraiser and all clients and intended users of the appraisal.

Certification of Appraisal.....

Be sure to include the market value unrestricted per acre and total value, market value restricted per acre and total value, easement value per acre and total value, date of valuation, a statement that the appraisal conforms to the Standards for Appraisals contained in N.J.A.C. 13:40A-6.1 and the Uniform Appraisal Standards for Federal Land Acquisitions, if required (Interagency Land Acquisition Conference, 1992), and the signature of the appraiser responsible for the report. The appraiser must additionally certify that they have or have not performed any services, appraisal or otherwise, regarding the subject property over the past three years. If the appraiser has provided any such services, they should explain the nature of any such services and for whom they were performed. It is preferred that this be disclosed to the SADC prior to the acceptance of the assignment.

Summary of Salient Facts.....

Include the unrestricted value per acre and total value, the restricted value per acre, total restricted value and the easement value both per acre and total. **(See required Format (A))**

Table of Contents.....(See required Format (B))

PART II GENERAL INFORMATION

Appraisal Purpose: The purpose of the appraisal is to estimate the market value of a development easement on the subject property per the restrictions of the New Jersey Agriculture Retention and Development Program.

Scope of Work: The scope of work for SADC assignments will be consistent with the requirements of the SADC appraisal handbook and USPAP. Appraisers shall be provided with the project application and appraisal order checklist to identify any special requirements, restrictions or limitations associated with the appraisal assignment. Appraisers must identify the client and other intended users of the appraisal document, intended use of the appraisal report (fee simple, easement acquisition etc.), definition of value (market), hypothetical conditions/extraordinary assumptions, effective date of the appraisal, salient features of the subject property, methodologies to be used, extent of investigation, and the applicable approaches to value.

Hypothetical Conditions and Extraordinary Assumptions: All atypical hypothetical conditions to be considered must be authorized by the Contracting Agent in written form with

authorized signature and should identify any special instructions to the appraiser inconsistent with the “as is” condition of the property being appraised. Dual appraisals (After valuations and Highlands dual zoning valuations) are considered to be typical hypothetical conditions that are authorized by statute (dual appraisal) and regulation (as deed restricted). Extraordinary Assumptions may be used only when necessary for completion of the assignment. All extraordinary assumptions shall be submitted to and approved by the SADC review staff prior to the completion of the assignment. All extraordinary assumptions shall be reasonable. Extraordinary assumptions that change the risk level or the market value are prohibited. In general, the appraiser should estimate the market value based on existing conditions with the buyer assuming the risk of future approvals and/or events.

Estate Appraised: A statement of the rights being valued. For Market Value, the Fee Simple Estate will apply in most cases. All appraisals are for surface rights only.

Definitions: Define the legal and technical terms of the report including, but not limited to, Market Value, Highest and Best Use, etc.

Assumptions and Limiting Conditions....

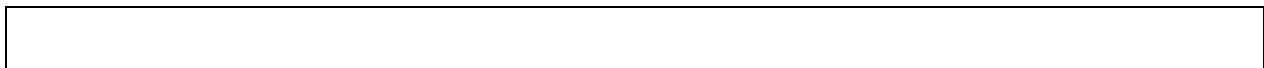
General Property Identification and Description: Identify the subject property by Block/Lot and other means. Briefly describe the property and its current use.

History: Any title changes in the last 5 years, including easements, agreements for sale or options. The appraiser shall analyze any sale of the subject within the past three years. The analysis must either use the sale of the subject property as a comparable or specifically state the reasons for not including the sale as a comparable. Failure of the appraiser to comply with this analysis is considered a USPAP violation and may result in the appraisal being invalidated.

Market: Report present market conditions and estimate exposure time.

Zoning and Assessment Information: The appraiser should include a statement, a copy of the zoning ordinance(s) of the subject property, and if appropriate, an analysis of the impact on value as described in Section, Appraisals (d), page 9.

Community and Neighborhood Data: This should include, but is not limited to, character of the community, land use trends, degree of development pressure in the area, and any other information, which may significantly impact the fee simple market value. This section should lay the foundation for the discussion of Highest and Best Use later in the report.



(REQUIRED FORMAT) (A)

SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS

PROPERTY LOCATION (Including but not limited to Block and Lot)
PROPERTY TYPE
LAND SIZE
ZONING
HIGHEST AND BEST USE Before and After
DATE OF VALUATION

	<u>PER ACRE</u>	<u>TOTAL</u>
ESTIMATE OF PROPERTY VALUE "BEFORE":	_____	_____
ESTIMATE OF PROPERTY VALUE "AFTER":	_____	_____
ESTIMATE OF DEVELOPMENT EASEMENT VALUE:	_____	_____

(REQUIRED FORMAT) (B)

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Appraiser's qualifications.....
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- **Flood Maps must indicate the location of the subject.**

**PART III PROPERTY VALUATION BEFORE DEVELOPMENT
EASEMENT ACQUISITION (MARKET VALUE UNRESTRICTED)**

Subject Property Description: The description of the subject property including all physical attributes and improvements. Comments regarding topography, soils characteristics, hydrologically limited areas, riparian lands (State owned or privately held), frontage, configuration, dwellings, outbuildings, etc. are appropriate. Building sketches are not necessary. Any rejected, approved, or pending subdivision plans, if any, should be noted here. Existing residences, Agricultural Labor housing, exceptions and/or RDSOs and pre-existing non-agricultural uses should be noted.

A specific description of any exceptions should be provided by the Contracting Party to the appraiser. The information should include the estimated dimensions , size and location of the exception identified on a tax map and any contingencies, which may impact the valuation of the premises. Refer to the previous discussion regarding the different types of “exceptions.”

Soil Characteristics/Interpretative Tables

NRCS offers an online Web Soil Survey, <http://websoilsurvey.nrcs.usda.gov/app/WebSoilSurvey.aspx>. Appraisers must rely on this website for all soils data that is not provided to them by the Contracting Party, including comparable sales data. For Septic Suitability, after identifying the area of interest and creating the soils map of the property, the appraiser is required to use the Sewage Disposal (NJ) located under Soil Data Explorer: Go to Suitabilities and Limitations for Use or Soil Reports, Sanitary Facilities, Click Sewage Disposal (NJ) and then click View Rating to obtain the report. To find the agricultural classifications of the soils (Prime, Statewide, local, unique), click on Land classifications, click Prime and other Important Farmlands.

Hydrologically Limited Areas: The acreage of hydrologically limited areas should be

estimated by the appraiser on both the subject and the comparable sales using State wetlands maps as the minimum basis for evaluation. Where appropriate, the discussion should include the location of the wetlands, the type of wetlands (i.e. modified agricultural) and the possibility of mitigation if that is a factor.

Flood Zone: Maps Identifying the Flood Zone must be provided. The subject location must be indicated and the appraiser must estimate the areas of the subject property that are impacted by Flood Hazard Areas, especially areas A & B, 100 and 200 year flood.

Riparian Lands

In the case where significant riparian lands impact the subject property, the appraiser should base the per acre analysis only on the non-riparian land area. For example, if a 100 acre property has GIS calculations of 40 acres of upland, 5 acres of freshwater wetlands, 5 acres of modified agricultural wetlands and 50 acres tideland, the appraiser would base the analysis on 50 acres. The 50 acres of tideland can be purchased or subjected to the Deed of Easement, but analysis on a per acre basis can be restricted to the 50 acres of upland and wetland area. The appraiser should always disclose prominently if the calculation is completed off a subset of the total area. The appraiser shall still consider the impact of any riparian grants, leases or licenses on value to the appraised area. Large areas of non-riparian border water may also be treated in a similar fashion if the appraiser believes the per acre value would be impacted.

Pre-Existing Nonagricultural Uses: The appraiser must consider and explain any pre-existing nonagricultural uses that will remain in the “after” valuation. An explanation on the impact attributed to the development easement value must be provided in the analysis. The contracting agent should note the non-agricultural use that will remain after the easement in the Appraisal Order Checklist (AOC). An appraiser who notices a non-agricultural use not indicated on the AOC should inform the contracting agent and get instructions on how to proceed.

Improvements: The appraiser is required to consider the effect on the value when the subject and/or comparable sale properties contain any improvements. The appraisal shall be in an “Appraisal Report” format. Exceptions may be approved by the SADC. Most importantly, the appraiser must determine if there is an increment of value attributed to the land, which is independent of the actual value of the physical improvement.

Zoning: When considering zoning as a factor of valuation, the appraiser is required to adhere to the provisions contained in Section “Appraisals (d)” on page 10.

Valuation of land in the Pinelands: The SADC shall be responsible for determining development easement values in the Pinelands. (Refer to previous discussion.)

Community and Neighborhood/Market Area Data: The appraiser shall prepare a description of the subject property’s County and Municipal demographic data including but not exclusive to: Relevant transportation, employment, income, housing, construction (building permits),

education systems, shopping, environmental, and other factors the appraisers deemed relevant. The immediate neighborhood description should include any structures or sites that may have an impact on the subject property that was not addressed in the municipal description.

Highest and Best Use: Building on previous sections describing the zoning, community, and the property, discuss in some detail your opinion of the highest and best use. Please refer to below for valuation adjustments for zoning. Detail Physically Possible, Legally Permissible and Financially Feasible uses resulting in a Maximally Productive Highest and Best Use. Both the Highest and Best Use as Vacant and as Improved are required, even though only the land is required to be valued. The “effect” of the existing improvements on the value of the land must be addressed.

Valuation Approaches: The development easements purchased by the Farmland Preservation Program involve an interest in land only. As a result, it is only the land value that needs to be derived and reported. Therefore, in most cases, only the sales comparison approach will be used in both the “Before” and “After” valuations. As noted in previous discussions, the appraiser must consider if there is an increment of value attributed to the land as a result of opportunities to reside, exceptions or other improvements existing on the premises.

Listings of Comparable Properties for Sale: The Appraiser shall prepare a list of comparable land for sale within the subject’s market area, which should include: the listings’ addresses, list price, land size, price per acre, and days on market for both unrestricted and restricted vacant land as available. Appraisers should carefully consider their calculations against these comparable sales. The appraiser should explain their value conclusion if it is substantially different from the list prices of comparable land.

- a. **Direct Sales Comparison:** Generally speaking, this method should be based on a comparison of the land component of comparable sales to the subject land. Comparable sales data sheets shall at a minimum include the following information:

- a. Grantor/Grantee
- b. Deed date
- c. Deed book/page
- d. Sale price
- e. Property size
- f. Location (include County)/block/lot (Including approximate distance to subject)
- g. Soil types/ % septic limitations
- h. Frontage/access
- i. Wetlands
- j. Conditions of sale.
- k. Color photographs – including all significant improvements
- l. Improvements
- m. Utilities

- n. Verification
- o. Legible copy of tax map
- p. Zoning
- q. Intended use of sale

A detailed comparable sale write up is one of the most important aspects of an appraisal. All of the sale characteristics used on the grid chart should be clearly listed in the comparable sales. The review appraisers reserve the right to require the appraiser to provide such information that is omitted from the sale write up.

Adjustments should be for salient characteristics in the market, which may or may not include soil characteristics, zoning, topography, hydro-logically limited areas, riparian lands (State owned or privately held), date of sale, financing, etc. Adjustments must be explained. If a sale is improved, the appraiser must consider making appropriate adjustments when comparing the sale to the subject farm. The basis for any adjustments should be contained in the report. Since the development easement is usually purchased on "raw" land, sales which have received approval for subdivision or which were sold on a contingency basis should be adjusted accordingly, with a thorough discussion of the reasons for the adjustments, if the subject farm does not have approvals for subdivision.

If appraisals are found to make assumptions regarding large adjustments in excess of 20%, 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.

The use of the following grid is mandatory when the highest and best use of the subject is current/future 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 when appropriate.

UNRESTRICTED LAND SALES ANALYSIS

	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4				
Property Address	Spring Road	Spring Road	Spring Road	Spring Road	Spring Road				
	Millstone	Millstone	Millstone	Millstone	Millstone				
Owner / Grantor	Farmer Bill	Farmer Bill	Farmer Bill	Farmer Bill	Farmer Bill				
Size in Acres	100.0	100.0	100.0	100.0	100.0				
Date of Sale	NA	00/00/00	00/00/00	00/00/00	00/00/00				
Sale Price - Land Only		\$100,000	\$100,000	\$100,000	\$100,000				
Sale Price / Acre	NA	\$1,000	\$1,000	\$1,000	\$1,000				
Property Rights		Fee Simple	0%	Fee Simple	0%	Fee Simple	0%	Fee Simple	0%
Adjusted Value		\$1,000		\$1,000		\$1,000		\$1,000	
Condition of Sale		Arms Length	0%	Arms Length	0%	Arms Length	0%	Arms Length	0%
Adjusted Value		1,000		1,000		1,000		1,000	
Financing Terms		At Market	0%	At Market	0%	At Market	0%	At Market	0%
Adjusted Value		1,000		1,000		1,000		1,000	
Market Conditions		Similar	0%	Similar	0%	Similar	0%	Similar	0%
Adjusted Value		1,000		1,000		1,000		1,000	
ADJUSTED PRICE / ACRE		\$1,000		\$1,000		\$1,000		\$1,000	
Location	Average	Average	0%	Average	0%	Average	0%	Average	0%
Size in Acres	100.0	100.0	0%	100.0	0%	100.0	0%	100.0	0%
Front Feet /Acre	37.5	37.5	0%	37.5	0%	37.5	0%	37.5	0%
Topography	Gentle Roll	Gentle Roll	0%	Gentle Roll	0%	Gentle Roll	0%	Gentle Roll	0%
Zoning	R-130	R-130	0%	R-130	0%	R-130	0%	R-130	0%
Easements	None	None	0%	None	0%	None	0%	None	0%
Wetlands (%)	25%	25%	0%	25%	0%	25%	0%	25%	0%
Soils (% v. limited)	25%	25%	0%	25%	0%	25%	0%	25%	0%
Public Water / Sewer	None	None	0%	None	0%	None	0%	None	0%
Other	None	None	0%	None	0%	None	0%	None	0%
Net Adjustment			0%		0%		0%		0%
INDICATED VALUE PER ACRE		\$1,000		\$1,000		\$1,000		\$1,000	
Mean Price/Acre Unadjusted		\$1,000							
Mean Price/Acre After Adjustment		\$1,000							

The above grid is in Excel format. A copy of the grid file is available from the SADC office.

It is required that each appraiser expresses the values on the grid as a VALUE PER ACRE. The total and the summary should also express the VALUE PER ACRE.

Subdivision Method: The subdivision method for calculating value is generally not recommended. However, it may be used when the subject property has preliminary approvals but only as a check on the sales comparison approach. In the absence of approvals, the Contracting Party may, with prior SADC approval, develop a site plan and engineering report for the appraiser to consider in analyzing the property using this method. The SADC will only consider this method as an independent value consideration in conjunction with a standard comparative approach as described above. The SADC will consider a request to use the subdivision method only if the appraisers provide the following to the Contracting Party and to the SADC: (1) written certifications that there is a compelling need for this method, and (2) a detailed description of the reasons justifying the compelling need. Should a Contracting Party seek to use the subdivision method and the SADC approve it, the Contracting Party is responsible for hiring the appropriate professionals to produce the detailed engineering and environmental assessment work called for in the handbook. The SADC will not accept work done by, or for, the landowner for these purposes.

The appraiser must perform a full feasibility analysis on the proposed project in accordance with standards outlined and approved by the SADC. The following steps must be completed:

1. A full development report must be completed by a qualified Land Development Professional. The report shall include plans, septic suitability tests, Environmental Analysis, and detailed infrastructure costs. This report must include language indicating that there is a reasonable probability of site plan approval.
2. The appraisal must contain or reference a Full Feasibility Study on the project, including property productivity analysis, market delineation, demand analysis, competitive supply analysis, supply and demand study and capture rate.
3. The appraiser must state in his or her certification that the site plan utilized was provided by the Contracting Party and that the appraiser was instructed to consider the site plan for purposes of the analysis as of the effective date of the appraisal, using the Extraordinary Assumption.
4. The appraiser must complete an analysis of raw land sales as well as the lot value analysis and reconcile the two approaches.
5. The appraiser must satisfy the competency rule in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and notify the Contracting Party prior to acceptance of the assignment as to their qualifications and experience with this type of analysis.

c. Income Capitalization: The appraiser may consider this approach; however, it has been the experience of this program and others that the Income Capitalization method has yielded

generally unreliable value estimates for this type of assignment. Market sales reflect far higher values than can be demonstrated with this approach. The range of variables including expenses, enterprise, crop value, methods of depreciation, etc., allow greater room for error. Additionally, sales comparisons are an actual analysis of buyer/seller transactions. For these reasons, the income capitalization approach is not emphasized. This method may be considered in Fee Simple assignments involving income-producing properties.

d. Cost Approach: The appraiser may consider this approach; however, when the value sought is for land, not buildings, this approach does not apply. This method may be used as a means of demonstrating the contributory value of improvements if the appraiser so desires. This method should be considered in Fee Simple assignments involving improvements and in dual appraisals.

VALUE CONCLUSION: Indicate final value estimate for the land and discuss how this conclusion was reached.

PART IV PROPERTY VALUATION, AFTER EASEMENT ACQUISITION (MARKET VALUE RESTRICTED)

Subject Property Description: Without reiterating the above information, the appraiser should discuss items which are particularly significant to valuation of the property as encumbered by a development easement. Such items include, but are not limited to, a "plain English" discussion of the deed restrictions and their effect on the subject property, the subject's adaptability for agricultural use (or other uses which do not infringe on agricultural pursuits), soils and their classification, etc. The subject farm appraised as though deed restricted must be identified as a hypothetical condition.

Soil Characteristics/Interpretative Tables

NRCS offers the Web Soil Survey, located at <http://websoilsurvey.nrcs.usda.gov/app/WebSoilSurvey.aspx>. Appraisers must rely on this website for all soils data that is not provided to them by the Contracting Party, including comparable sales data. For Septic Suitability, after identifying the area of interest and creating the soils map of the property, the appraiser is required to use the Sewage Disposal (NJ) located under Soil Data Explorer: Go to Suitabilities and Limitations for Use or Soil Reports, Sanitary Facilities, Click Sewage Disposal (NJ) and then click View Rating to obtain the report. To find the agricultural classifications of the soils (Prime, Statewide, local, unique), click on Land classifications, click Prime and other Important Farmlands.

In addition, the impact of the following issues previously identified and discussed in the "Before" valuation shall be identified and discussed in the "After" valuation are:

Highest and Best Use: Discussion above regarding highest and best use applies here. Careful attention must be paid to the nature of the subject area and the motivating factors typical for

buyers in the market for properties of this type. Traditionally, highest and best use analysis considers the following criteria:

1. Is the use legally permissible?
2. Is the use physically possible?
3. Is the use financially feasible?
5. What is the maximally productive use of the property?

Highest and Best Use Analysis is required for analysis as vacant and as improved in both the unrestricted and restricted sections of the appraisal report.

Establishing Highest and Best use sets the basis for the valuation to follow. Differentiating between commercial agriculture of various types, country estates, oversized home sites, hunting club, or any other use which may be primary in the marketplace, but compatible with agriculture as a secondary use is an essential step of a Highest and Best use analysis for the restricted property. The properties in this program are all subject to the same set of restrictions. However, this does not mean all such properties will be sold to the same kind of buyers who are all motivated in the same way. Location of the property, desires of the buying public, and financial resources of the buying public will determine how a restricted property is utilized. For example, there is nothing to stop a non-farmer purchaser from paying a premium for restricted lands just to purchase land and space. Such use will still meet the legal requirements of the restriction. In fact, this is surely the kind of buyer that real estate brokers will seek to pay top dollar when restricted properties are placed on the market. Such buyers will be in competition with commercial farmers when such properties are exposed to the market. The appraiser must study the subject market and consider who the property would typically be sold to, for how much, and why.

Valuation Approaches: As in the unrestricted situation, only the value of the land is sought. The appraiser must consider the effect of residential opportunities and improvements when conducting the valuation, but only the market value of the land is required to be identified. The appraiser must determine if there is an increment of value attributed to the land, which is independent of the actual value of the improvement.

Listings of Comparable Properties for Sale: The Appraiser shall prepare a list of comparable land for sale within the subject's market area. This list should include at a minimum the listing's address, list price, land size, price per acre and days on market for both unrestricted and restricted vacant land as available. Appraisers should carefully consider their subject concluded value against the comparable listings. The appraiser should explain their value conclusion in light of comparable listing prices if they are substantially different.

Direct Sales Comparison: The general procedure for estimating restricted value is the same as estimating unrestricted values. The intent of this valuation is to demonstrate value for a land parcel, which is limited in utility (by virtue of legal restrictions). The following categories of land sales are recommended as useful value indicators:

1. DEED RESTRICTED PROPERTIES:

A property limited in utility by a development easement or conservation easement or other deed restriction placed against the title of the property. Be sure to understand the nature and limits of

the restrictions on the sale when using such sales.

2. COMPARABLE SALE DATA SHEETS SHALL AT A MINIMUM INCLUDE THE FOLLOWING INFORMATION:

- a. Grantor/Grantee
- b. Deed date
- c. Deed book/page
- d. Sale price
- e. Property size
- f. Location/block/lot (including approximate distance to the subject)
- g. Soil types/% prime & tillable*
- h. Frontage/access
- i. Wetlands –
- j. Conditions of sale
- k. Color photograph(s)
- l. Residential Opportunities
- m. Utilities
- n. Verification
- o. Legible copy of tax map
- p. Zoning – include brief description of permitted uses and bulk area requirements

*This may be summarized as follows:

<u>Soil Type</u>	<u>Area %</u>	<u>Quality</u>	
SSURGO	75%	Prime	
SSURGO	5%	Other	
SSURGO	10%	Statewide	
SSURGO	10%	Prime	
	Prime	Statewide	Tillable
Total	85%	10%	85%

(This information should be obtained from the application and confirmed using USDA, NRCS Soil Survey Geographic Data Base (SSURGO) Web Soil Survey)

RESTRICTED LAND SALES ANALYSIS

	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4				
Property Address	Spring Road Millstone	Spring Road Millstone	Spring Road Millstone	Spring Road Millstone	Spring Road Millstone				
Owner / Grantor	Farmer Bill	Farmer Bill	Farmer Bill	Farmer Bill	Farmer Bill				
Farm Size in Acres	100.0	100.0	100.0	100.0	100.0				
Date of Sale	NA	00/00/00	00/00/00	00/00/00	00/00/00				
Sale Price - Land Only		\$100,000	\$100,000	\$100,000	\$100,000				
Sale Price / Acre	NA	\$1,000	\$1,000	\$1,000	\$1,000				
Property Rights		Restricted	0%	Restricted	0%	Restricted	0%	Restricted	0%
Adjusted Value		\$1,000		\$1,000		\$1,000		\$1,000	
Condition of Sale		Arms Length	0%	Arms Length	0%	Arms Length	0%	Arms Length	0%
Adjusted Value		1,000		1,000		1,000		1,000	
Financing Terms		At Market	0%	At Market	0%	At Market	0%	At Market	0%
Adjusted Value		1,000		1,000		1,000		1,000	
Market Conditions		Similar	0%	Similar	0%	Similar	0%	Similar	0%
Adjusted Value		1,000		1,000		1,000		1,000	
ADJUSTED PRICE / ACRE		\$1,000		\$1,000		\$1,000		\$1,000	
Location	Average	Average	0%	Average	0%	Average	0%	Average	0%
Size in Acres	100.0	100.0	0%	100.0	0%	100.0	0%	100.0	0%
Topography	Gentle Roll	Gentle Roll	0%	Gentle Roll	0%	Gentle Roll	0%	Gentle Roll	0%
Tillable Acres (%)	75%	75%	0%	75%	0%	75%	0%	75%	0%
Soils (% Prime)	75%	75%	0%	75%	0%	75%	0%	75%	0%
Residential Opportunity	None	None	0%	None	0%	None	0%	None	0%
Other	None	None	0%	None	0%	None	0%	None	0%
Net Adjustment			0%		0%		0%		0%
INDICATED VALUE PER ACRE		\$1,000		\$1,000		\$1,000		\$1,000	
Mean Price/Acre Unadjusted		\$1,000							
Mean Price / Acre After Adjustment		\$1,000							

In sum, a description of the sale property shall be thoroughly discussed. An adjustment grid shall be included as per the sample. Adjustments should be for salient characteristics in the market which may or may not include soil characteristics, zoning, topography, hydrological limited areas, riparian lands (State owned or privately held), date of sale, financing, etc. Adjustments must be explained. If a sale is improved, the improvements should be adjusted accordingly to most closely reflect the conditions on the subject property. The value conclusion should be expressed as a per acre figure and give a total cost for the property. In the reconciliation section of the appraisal, discuss sales thoroughly and indicate which were emphasized.

Developing the estimate of Market Value Restricted may require that the appraiser draw upon a variety of data sources. Unlike other types of appraisal assignments in which the market data is more likely to "speak for itself", developing MVR will require considerable discussion and rationale to adequately relate the sale properties to the subject.

PART V: FINAL ESTIMATE: The difference between market value and market value restricted of the land represents the value of the development easement. This conclusion must be presented on a per acre basis and as a total dollar figure. Discussion of the rights represented by this value conclusion should be recapitulated as well as changes in highest and best use of the unrestricted versus the restricted property. In short, the major points of the report should be summarized leading the reader to the same conclusion as the appraiser.

PART VI : ADDENDUM: This section of the report should include, but is not limited to, the following items:

1. Subject property and comparable sales location map
2. Subject tax map – Indicate the Subject
3. Soils/flood/topographic maps – Indicate the Subject location on all maps. Indicate the approximate percentage of the subject property that is impacted by flood plain area.
4. Study of hydrological limited areas
5. Subject property photos (color)
6. Reference materials, studies, articles, or other data considered important by the appraiser
7. Development easement deed restrictions
8. Appraiser's qualifications
9. Appraisal License
10. A Copy of the Appropriate Application for the sale of a development easement or Fee Simple acquisition
11. Copy of the signed appraisal order checklist

**PLEASE BE SURE THAT ALL MAPS AND DIAGRAMS
ARE CLEARLY AND FULLY LABELED**

Use of Hypotheticals as ordered by contracting party

A. **Divisions** – Occasionally a Contracting Party may wish to have a property appraised as though a subdivision were already in place. The Contracting Party is required to provide the appraiser with a clear mapping of the proposed subdivision. The appraiser should clearly label the appraisal as Hypothetical and contingent upon successful final municipal approval of the subdivision prior to the conveyance of the development easement as described in the appraisal report. This disclaimer shall be prominent in the Letter of Transmittal, Scope of Work, Certification of Value and Assumptions and Limiting Conditions sections of the appraisal as extraordinary assumptions and hypothetical conditions as required by USPAP.

Note: The word “Divisions” in the context of this paragraph is not meant to allow major hypothetical subdivisions of the premises to its highest and best use (e.g. the division of the property into 30 residential lots). It is reserved for splitting the property into viable farms that would be allowed through a division of premises under the program or the completion of a minor subdivision that is awaiting final approval.

B. **Access** – Appraisers should not simply assume access to a subject property over other lands not in the application, even if owned by the applicant. The appraiser may only consider such access when required by the Contracting Party, with SADC approval, to consider this hypothetical condition.

1. An appraiser must condition his or her value upon an access agreement being in place prior to the conveyance of the deed of easement.
2. Access should specify a roadway adequate to accommodate development of the highest and best use in the unrestricted condition. For example, if an appraiser believes that highest and best use is for residential development across another parcel of land owned by the same owner and the Township requires a 50’ wide road, value will be contingent upon an access easement of such width being in place prior to the conveyance of the deed of easement. If the land needed for access is already preserved, then such an access easement shall not be assumed. If the land required for access is not owned by the property owner, then the appraiser shall not assume access will be granted.
3. The appraiser should again identify the appraisal as being subject to a hypothetical condition in the letter of transmittal, certification of appraisal, scope of work and assumptions and limiting conditions sections of their report, and appraisal order checklist.

C. Existing Conservation Easements and Other Restrictions on Development and Use of the Property.

The appraiser shall consider the impacts on value resulting from any conservation

easements recorded on the property, or any other restrictions on development or use of the property. The appraiser shall not rely on any assurances that such recorded conservation easements or use restrictions can be removed unilaterally by municipal governing bodies, land use boards and/or property owners.

Appendix A

STATE AGRICULTURE DEVELOPMENT COMMITTEE FARMLAND PRESERVATION PROGRAM

An appraiser shall not bid on or accept any SADC funded appraisal assignment without this list being completely filled out and signed

OWNER: _____

Owner Address: _____

Owner Phone Number: _____ e-mail (optional) _____

Applicant (if different): _____ Contract Purchaser: _____

Applicant/Purchaser Address, phone, e-mail If contact is required

Location/Address of the Subject Property:

Municipality: _____ **County:** _____

(Numerous Lots can be expressed as a range, e.g., B 1 L 1-12)

Block/Lot(s) _____

Municipality: _____ **County:** _____

Block/Lot(s) _____

Municipality: _____ **County:** _____

Block/Lot(s) _____

Municipality: _____ **County:** _____

Block/Lot(s) _____

Gross Acreage of Property: _____ Acres.

Total Acreage attributed to Tidelands, Riparian or Border Water (subtract) - _____ Acres.

(Do not deduct freshwater, mod-ag wetlands or interior water

– consult SADC for acreage)

Adjusted Gross Acreage: = _____ 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) - _____ Acres.

(Do not deduct freshwater, mod-ag wetlands or interior water

– consult SADC staff for acreage)

ACREAGE TO BE REPORTED IN APPRAISER'S CERTIFICATION (Net) = _____ 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.)

DATE OF VALUE: Appraiser date of Inspection _____ or ____/____/____. If there is no need for a specific date always **check** the date of inspection. All Planning Incentive Grant appraisals should have a similar date (within one month +/- of each other).

HOUSING OPPORTUNITIES ON PREMISES TO BE PRESERVED:

(Do not include existing residences that are within an exception area)

Existing residences:	# _____	House size limitation _____	sq. ft.
RDSOs:	# _____	House size limitation _____	sq. ft.
Agricultural Labor Housing:	# _____	House size limitation _____	sq. ft.

House size limitations or exception restrictions (describe in detail):

EXCEPTIONS (all exception locations must be identified on mapping)

Exception #1: Severable Non-Severable (Check one)

Size: Acres (Enter size of the exception here)

Purpose: Existing Single Family Dwelling (s)

Future Single Family Dwelling (s)

Non Agricultural Use

Farm Market

Easement (access, road etc.)

Lot Line Adjustment

Other (describe)

Restrictions: (Narratively use this space to describe any restrictions that will be placed on the exception area. This includes number of dwellings, building sizes, allowed uses etc.)

Exception #2: Severable Non-Severable (Check one)

Size: Acres (Enter size of the exception here)

Purpose: Existing Single Family Dwelling (s)

Future Single Family Dwelling (s)

Non Agricultural Use

Farm Market

- Easement (access, road etc.)
- Lot Line Adjustment
- Other (describe)

Restrictions: (Use this space to describe any restrictions that will be placed on the exception area. This includes number of dwellings, building sizes, allowed uses, etc.)

ADMINISTRATORS SHOULD FEEL FREE TO EXPAND THE NUMBER OF EXCEPTIONS AS NEEDED THROUGH COPY AND PASTE OR ADDITIONAL PAGES

PROGRAM:

County Planning Incentive Grant (County):	_____	Nonprofit Grant Program (Easement):	_____
Planning Incentive Grant (Municipal):	_____	Nonprofit Grant Program (Fee):	_____
SADC Direct Easement Purchase:	_____	SADC Resale Fee Simple	_____

Federal Agricultural Land Easement (ALE) approved cost share: _____. See attachment highlighting the differences in the deeds between an SADC easement and an ALE easement. Appraisal treatment of exception areas will be consistent with SADC regulations, but federal ALE deed restrictions must be considered for the premises to be preserved.

Number of Permitted Subdivisions _____
Impervious Cover Limitation - _____%

Note: Please provide appraisers with the specific ALE deed of easement that will be recorded upon closing.

SUBDIVISION APPROVAL: Yes ___ No ___

_____	_____	_____	_____
Preliminary Date of Approval _____	extension(s) _____		
Final Date of Approval _____	extension(s) _____		

The subdivision approval ___ may / ___ may not be considered in the appraisals for this application. In either case, any engineering and studies may be shared with appraisers.

If the property is the subject of final site plan approval, the appraisals must address the unique details of these approvals. **At a minimum the following shall be specifically addressed:**

- 1) When comparing the subdivision with comparable properties, the appraisers should thoroughly consider and address any significant atypical outstanding contingencies or permits in the subdivision resolutions.
- 2) If available, specific septic testing supporting building on any of the proposed lots should be submitted and the results included in the analysis.
- 3) As per the SADC appraisal handbook, the appraiser shall consider the impacts on value resulting from any conservation easements recorded on the property, or any other restrictions on development or use of the property. *For example, "It appears a _____ acre parcel included in the subdivision was reserved for open space."* The Township should provide the SADC and appraisers documentation regarding any recorded easements.
- 4) The appraisers must fully address if the approvals are still in effect and any possible impacts due to permit expiration of the New Jersey Permit Extension Act.

Pursuant to N.J.A.C. 2:76-6.10 (b) and 2:76-6.11(c)1., the SADC may disapprove of an application if it

determines that the applicant has initiated proceedings in anticipation of applying to sell a development easement or during the application process that have the effect of increasing the applicant's appraised development easement value.

EXISTING EASEMENTS Yes ___ No ___

Conservation Easements	_____	Utility	_____
Buffer ordinance/restrictions	_____	Slope / Drainage	_____
Other	_____		

Note: Appraisers may not assume that easements that specifically prohibit disturbance and development can be reversed or receive variances.

LOI required- All Pinelands Appraisals should include value of agricultural improvements as per the special memorandum and SADC Policy 42 issued in August 2002 to appraisers authorized to appraise Pinelands Properties.

Transfer Development Rights: (fill out only if property is in or eligible to be in a transfer of development rights program)

- Subject Property is in a: ___ Sending Zone ___ Receiving Zone
- TDR Program is: ___ Local ___ Regional (Pinelands, Highlands etc.)
- Credits Allotted # _____ ___ Verified. Source: _____
- Credits Estimated# _____ ___ Verified. Source: _____
- Credits retired by preservation # _____ Credits retained by landowner # _____

ZONING

All Appraisals must be appraised under current zoning - code(s) _____

The dual appraisal provision of the Highlands Act sunset on June 30, 2014. The provision has been extended by the Governor and NJ Legislature until June 30, 2019 **only for properties located within the boundaries of the Highlands Preservation or Planning Areas that also continue to meet one of the following conditions.** Appraisal assignments should identify the 1/1/04 valuation as a Hypothetical condition.

Zoning and environmental conditions in place as of 1/1/04 (Hypothetical) – code(s)

Reason for 01/01/04 Qualification: (To be completed only if the dual appraisal provision is being requested)

- Property is in the Highlands: ___ Preservation Area ___ Planning Area

The Application must also qualify under one of the following: (To be completed only if the dual appraisal provision is being requested)

___ Applicant owned the property **as of 8/10/04.**

___ Applicant is an immediate family member of the owner that owned the property **as of 8/10/04**

- ____ Applicant is a Governmental unit or Non-Profit Organization that acquired the property from an
- a. original owner of property as of 8/10/04: ____
 - b. immediate family member of the owner as of 8/10/04: ____

CATEGORY 1 STREAM If yes (*please including mapping*)

If the Property is located within 300 feet of a Category 1 stream or river please note:

____ Category 1 waterway within property boundary OR Property is within ____ feet of a Category 1 waterway

If present, the C-1 stream 300' buffer limitation must always be taken into consideration in any appraisal considering current environmental regulations. Only appraisals under the hypothetical condition that environmental and zoning regulations as of 1/1/04 are in place may ignore this fact.

OTHER (*Include special instructions here or attach*):

The appraiser shall consider the impact of all exceptions, non-agricultural uses and effect of improvements as listed in the attached subject application in conformance with the SADC Appraisal Handbook.

<http://www.nj.gov/agriculture/sadc/farmpreserve/appraisals/appraisalresources.html>

Signed,

(Program Administrator/Project Manager)

Date

* This form shall be completed by the contracting agency and shall be contained as an addendum, along with the application and Green Light Review Letter, in the appraisal report.

Comparison Chart – SADC Deed of Easement vs. ALE Deed of Easement

<u>State Agriculture Development Committee (SADC) Deed</u>	<u>FINAL Proposed Agricultural Land Easement (ALE) Deed</u>
<ul style="list-style-type: none"> • Requires a farm conservation plan within one year of preservation • Sod farming and ball-and-burlap type nursery operations permitted • Haying, mowing, and harvesting for seed permitted the entire year • Extraction of materials for agricultural purposes not limited to a particular area on the premises. • Grantor may derive income from certain recreational activities. • Contains the paragraph in the SADC standard deed of easement (paragraph 7) regarding the prohibition of activities detrimental to soil conservation, etc. • Grantor has 12 months to take corrective action to come into compliance with its conservation plan. 	<ul style="list-style-type: none"> • Requires an ALE Plan • Sod farming and ball-and-burlap type nursery operations prohibited pursuant to the ALE regulations (paragraph 2.ii.) • Provision prohibiting haying, mowing, and harvesting for seed during certain nesting seasons for birds whose populations are in significant decline is only included if the property is in grassland use, an ALE grassland enrollment, or funded for conservation purposes that include conserving or restoring grassland uses or grassland dependent species. (paragraph 2.iv.) • Extraction of materials for agricultural purposes is limited to a pre-defined area or acreage on the premises, but this limitation does not apply to grading and other normal site preparation activities necessary to facilitate construction of permitted improvements or the location of ponds. Also, the “extraction area” may be altered or relocated. (paragraph 5) • Grantor may derive income from certain outdoor recreational activities. (paragraph 7) • Prohibits grading, blasting, filling, sod farming earth removal and other soil disturbance activities except under certain enumerated conditions. (paragraph 8) • Grantor has 180 days to take corrective action to come into compliance with the ALE plan. Clarified with NRCS that this provision ordinarily means that Grantor has

<ul style="list-style-type: none"> • Forest management and timber harvesting must be performed in accordance with a NJ forest management plan. • Construction and improvement of unpaved roadways servicing agricultural uses not prohibited. • Does not limit the number of subdivisions that grantor may seek. • Grantors may install utilities necessary for permitted residential and agricultural uses. • No provision requiring grantor and grantee to reimburse the U.S. its costs of enforcement. 	<p>180 days to have the plan in place; not that the actions pursuant to the plan need to be implemented by then. (paragraph 9)</p> <ul style="list-style-type: none"> • Forest management and timber harvesting must be performed in accordance with best management practices. If premises contain at least 40 contiguous acres of forest or at least 20% of premises is forested, timber harvesting must occur in accordance with NJ forest management plan prepared in consultation with grantee. Forest management plan not required for certain enumerated noncommercial activities. (paragraph 9) • Construction and improvement of unpaved roadways servicing agricultural uses subject to certain conditions. Added provision that the grant or modification of easements for roads is prohibited. (paragraph 13) • Limits the number of subdivisions that grantor may seek. Applicants may request allocation for future subdivision(s), however, such request is subject to NJ NRCS review and to be determined on a case-by-case basis. NJ NRCS preference is for no future subdivisions. (paragraph 16) • Grantors may only install utilities necessary for permitted uses on the Premises if the Grantee determines there will be minimal impact on agricultural use and conservation values of the premises. (paragraph 17) <p>Provision requiring grantor and grantee to reimburse the U.S. its costs of enforcement. However, there are additional provisions providing a process before the U.S. exercises its right of enforcement wherein the U.S. would first provide notice to the Grantee and Committee of the nature of the non-compliance and provide a 180-day period to cure. Additionally, the amount of money</p>
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	the U.S. would be entitled to recover from the Grantee is capped at the amount of money the U.S. contributed toward the purchase of the ALE on that particular property. (paragraph 29)
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APPENDIX B

Pinelands Onsite Development Worksheet

The purpose of this worksheet is to aid the appraiser in determining the number of potential onsite building opportunity rights that are currently available to the subject in application. The worksheet is meant as an aid to the appraiser in developing their highest and best use analysis. It is at the appraiser's sole discretion as to what value impact (if any) this onsite development potential may have on the subject property.

Owner:

Farm Name:

Address:

Township:

County:

Tax Block/Lot(s):

Total Acres in application:

Total PDCs as per LOI: ____

PDCs being reserved for future onsite development opportunities: ____

Note: Prior to preservation LOI must acknowledge retention of 0.25 PDC for each anticipated dwelling opportunity being retained.

PDCs proposed to be retired by the proposed preservation easement ____

Property Tax Lot is subject to: __ Agricultural Planning Area
 __ Special Agricultural Production Area
 __ Preservation Area District
 __ Areas Substantially similar local zoning (as deemed by the Pinelands Commission)
 __ Multiple Management Areas
 __ Pinelands Villages and towns, Rural Development, Regional Growth Areas and Forrest Areas (if property is entirely in one of these areas do not use this worksheet. Use only if at least a portion of the property in application is in one of the above checked areas)

AP Management Area N.J.A.C. 7:50 – 5.24 __yes __no

Property is eligible for 1 unit per 40 acre cluster provision

Rule: Unit at gross density of 1:40 acres (N.J.A.C. 7:50-5.24(a)3)

- a. Unit(s) shall be clustered on one acre lots, unless municipality determines residential development is incompatible with agricultural use
 - i. *If new residential lots are being created (subdivided off), each new lot must be one acre in size (not smaller and not bigger).*
 - ii. *Standard septic systems can be used*
- b. Requires deed restriction of remainder of lot with severance of any PDCs

Subject Property Potential Yield under 1:40 cluster provision

of acres ____

of potential subdivisions ____ (# of acres/40) on 1 acre lots

Property is eligible for 1 accessory to agriculture unit per 10 acres every 5 years for farm operator/employee

Rule: 1 unit: 10 acres (N.J.A.C. 7:50-5.24(a)2)

- a. Dwelling must be accessory to active agricultural operation
- b. Dwelling must be for an operator or employee of farm actively engaged in operation
- c. Lot has not been subdivided within last 5 years unless done so under cultural housing provision

- d. No more than one lot can be created under this provision at one time

Subject Property Potential Yield under 1:10 every 5 years

of acres ____

of potential dwellings/subdivisions ____ (# of acres/10) Accessory to Agriculture

of years until fully developed ____ (# potential subdivisions x 5)

An appraiser should consider length of term to achieve full subdivision when assessing its value impact. For instance, under the above scenario a 100 acre property could be potentially subdivided 10 times until it can be subdivided no further, but it would take 50 years to accomplish this. The present value of such distant future benefits needs to be carefully considered by the appraiser. The requirement that the opportunity (new lot or house) needs to be accessory to agriculture must also be taken into account.

Property is eligible for 3.2 acre Cultural Housing Provision

Rule - Cultural Housing Provision (N.J.A.C. 7:50-5.32)

- a. 3.2 acre lot requirement
 - i. For lots existing as of Feb. 8, 1979 the 3.2 acre requirement may be reduced to 1 acre with township variance and purchase of 0.25 PDCs
- b. Unit must be principal residence of property owner or immediate family member
- c. Individual whose residence it will be has not developed a similar unit within previous 5 years
- d. Parcel in continuous ownership of individual or their family since Feb. 7, 1979
- e. Individual whose residence it will be has resided in Pinelands for at least 5 years or he or member of family for a total of at least 20 different years

Other potential uses of the property under AP Management Area

Seasonal Agricultural Labor Housing **-Eligible**

Farm Markets up to 5,000 SF **-Eligible**

Agricultural Structures **_Eligible**

Low intensity Recreational Uses **_Eligible**

Expansion of intensive recreational uses (in existence 2/7/1979) yes no

Substantially Similar Zoning: Please provide applicable municipal zoning code. This should be confirmed with the Pinelands Commission. (check if applicable)

Wetlands/Buffers: Wetland buffers are uniformly 300' wide in the Pinelands and septic systems are not permitted within the buffer. The property may be eligible for a transition area waiver to allow for the construction of a dwelling, but the appraiser's contracting agent must confirm that this option has not been previously utilized prior to the farmland preservation application.

SAP (Special Agriculture Production) Management Area N.J.A. C. 7:50 – 5.25 yes no

Property **is not eligible** for 1 unit per 40 acre cluster provision (1 acre lots)

Property **is eligible** for large farm lot dwelling/subdivision (40+ acre units)

Rule: 1 unit: 40 acres (N.J.A.C. 7:50-5.25(b)) (If permitted by Township)

- a. Dwelling must be accessory to active agricultural operation
- b. Dwelling must be for an operator or employee of farm actively engaged in operation
- c. Lot has not been subdivided within last 5 years unless done so under cultural housing provision
- d. No more than one lot can be created under this provision at one time

Subject Property Potential Yield under 1:40 large farm lot development

of acres ____

#of Potential 40 acre farm units ____ (# of acres/40)

Property **is not eligible** for 1 farm accessory unit per 10 acres every 5 years for farm manager/owner/relative

Property **is eligible** for 3.2 acre Cultural Housing Provision (N.J.A.C. 7:50-5.32) dwelling/subdivision

Rule - Cultural Housing Provision (N.J.A.C. 7:50-5.32)

- a. 3.2 acre lot requirement
 - ii. For lots existing as of Feb. 8, 1979 the 3.2 acre requirement may be reduced to 1 acre with township variance and purchase of 0.25 PDCs
- b. Unit must be principal residence of property owner or immediate family member
- c. Individual whose residence it will be has not developed a similar unit within previous 5 years
- d. Parcel in continuous ownership of individual or their family since Feb. 7, 1979
- e. Individual whose residence it will be has resided in Pinelands for at least 5 years or he or member of family for a total of at least 20 different years

Other potential uses of the property under SAP Management Area

Seasonal Agricultural Labor Housing -**Eligible**

Farm Markets up to 5,000 SF -**Eligible**

Agricultural Structures -**Eligible**

Substantially Similar Zoning: Please provide applicable municipal zoning code. This should be confirmed with the Pinelands Commission. ____ (check if applicable)

Wetlands/Buffers: Wetland buffers are uniformly 300' wide in the Pinelands and septic systems are not permitted within the buffer area. The property may be eligible for a transition area waiver to allow for the construction of a dwelling, but the appraiser's contracting agent must confirm that this option has not been previously utilized prior to the farmland preservation application.

Pinelands Preservation Area District N.J.A.C. 7:50-5.22 ____ yes ____ no

Property **is not eligible** for 1 unit per 40 acre cluster provision

Property **is not eligible** for large farm lot dwelling/subdivision (40+ acre units)

Property **is not eligible** for 1 farm accessory unit per 10 acres every 5 years for farm manager/owner

Property **is eligible** for Cultural Housing Provision (N.J.A.C. 7:50-5.32) subdivision

- a. 3.2 acre lot requirement
 - i. For lots existing as of Feb. 8, 1979 the 3.2 acre requirement may be reduced to 1 acre with township variance and purchase of 0.25 PDCs
- b. Unit must be principal residence of property owner or immediate family member
- c. Individual whose residence it will be has not developed a similar unit within previous 5 years
- d. Parcel in continuous ownership of individual or their family since Feb. 7, 1979
- e. Individual whose residence it will be has resided in Pinelands for at least 5 years or he or member of family for a total of at least 20 different years

Other potential uses of the property under Preservation District Management Area (If permitted by the municipality)

Seasonal Agricultural Labor Housing __yes __ no

Agricultural employee housing as an element of, and accessory to, an active agricultural operation __yes __ no

Farm Markets up to 5,000 SF __ yes __ no

Agricultural Structures __ yes __ no

Low intensity Recreational Uses __yes __no

Expansion of intensive recreational uses (in existence 2/7/1979) __ yes __no

Substantially Similar Zoning: Please provide applicable municipal zoning code in appraisal. This should be confirmed with the Pinelands Commission. _____ (check if applicable)

Wetlands/Buffers: Wetland buffers are uniformly 300' wide in the Pinelands and septic systems are not permitted in the buffer area. The property may be eligible for a transition area waiver to allow for the construction of a dwelling, but the appraiser's contracting agent must confirm that this option has not been previously utilized prior to the farmland preservation application.

APPENDIX C: PINELANDS ONSITE DEVELOPMENT GUIDE

	Area Type - No Deed Restriction			SADC Deed Restriction	
	Agricultural Production	Special Agricultural Production	Preservation Area	Permitted on SADC DEED RESTRICTED PREMISES	Permitted on SADC EXCEPTION AREAS
Development Opportunity					
3.2 ACRE CULTURAL HOUSING - 1 EVERY 5 YEARS	X	X	X	NO	YES
1DU/40 ACRE CLUSTER OPTION	X			NO	NO
1DU/10 ACRE ACCESSORY TO AGRICULTURE EVERY 5 YEARS	X			NO	YES if pre reserved - only once
1DU/40 - ACCESSORY TO AGRICULTURE EVERY 5 YEARS		X		NO	YES - if pre reserved - only once
SEASONAL AGRICULTURAL LABOR	X	X	X	YES	YES
RDSO - Residual Dwelling Site Opportunity	N/A	N/A	N/A	Yes -with approval	N/A
AGRICULTURAL STRUCTURES	X	FOR BERRY AGRICULTURE ONLY	FOR BERRY AGRICULTURE ONLY	YES	YES
FARM MARKETS UP TO 5,000 SF	X			YES - with approval	YES
LOW INTENSITY RECREATIONAL USES INCLUDING HUNTING /FISHING	X		X	YES per CADB/SADC review	YES
EXPANSION OF INTENSIVE RECREATIONAL USES IN EXISTENCE AS OF 2/7/79	X	X	X	NO	YES
ACCESSORY USES(EG. SMALL FARM MARKETS/CARTS, SOLAR FACILITIES	X	X	X	YES	YES
ALL DEVELOPMENT IS SUBJECT TO PINELANDS REVIEW AS WELL AS MUNICIPAL APPROVAL.					
WETLANDS AND WETLANDS BUFFERS STANDARDS APPLY TO AGRICULTURAL STRUCTURES AND ARE SUBJECT TO MUNICIPAL REVIEW					
EXCEPTION AREAS ARE SUBJECT TO PINELANDS AND MUNICIPAL REGULATIONS INCLUDING WETLAND AND BUFFER REGULATIONS.					
MUNICIPAL ORDINANCE SHOULD BE CHECKED TO VERIFY WHETHER A USE LISTED ON THE ABOVE CHART IS PERMITTED IN A PARTICULAR ZONING DISTRICT.					

APPENDIX D

Residential Opportunity Adjustment Guide

	1	2	3	4	5
Subject Has ↓	Sale has RDSO	Sale has Non Severable Exception	Sale has Existing Residence	Sale has Severable Exception	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 or 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

All adjustments for residential opportunity are solely each appraiser’s opinion. The above guide is merely a generalized table designed to assist the appraiser in their adjustment process. An appraiser may have a different opinion than those expressed in this guide, but will likely be asked to clearly explain their rationale. For example; housing size and other limitations placed on RDSOs or exceptions could have an effect on how the appraiser interprets comparability.

APPENDIX E

EMINENT DOMAIN OF PRESERVED FARMLAND

There are occasions where the preserved farm may be subject to eminent domain takings by authorized government entities pursuant to N.J.S.A. 4:1C-25. In addition, certain interstate gas pipeline projects have authority to condemn preserved farmland under the Federal Natural Gas Act. This section is meant to advise appraisers as to the required techniques and conditions of appraising preserved farms that are subject to eminent domain takings.

1. All appraisals must be conducted under the hypothetical condition that the farm is unencumbered by the agricultural easement in order to secure just compensation to the easement holder and funding partners based on current value of the land. Highest and Best Use is still as of the date of the eminent domain appraisal but subject to the hypothetical condition that the property is unencumbered by the agricultural easement. This is regardless of the highest and best use conditions that the property was preserved under.
2. All takings must be appraised based on the hypothetical condition of the land as unencumbered by the agricultural easement. This includes fee takings, easements, temporary easements or temporary work space areas as well as damages to the remainder.
3. The easement holder is not entitled to compensation for impacts to improvements, crop losses/damages or other damages unrelated to the value of the land. If the appraiser's assignment is to determine compensation for such items, it will be necessary to break out the value of those improvements or crops from the value of the lands under appraisal. In cases where appraisals are not clear as to the contributory value of land and improvements, the appraiser should discuss the need for a separate land only appraisal with his client.
4. The appraiser's client should provide the appraiser with a detailed map and description of the subject property and taking(s). In instances where takings encumber both preserved and unpreserved areas of a farm, it is not the appraiser's responsibility to determine compensation to all parties concerned, only to value the property as completely unencumbered. It is the condemnor and easement holder's responsibility to determine appropriate compensation due the easement holder, landowner etc.