

SPECIFICATIONS FOR IDNR (ONLY) FLOOD MITIGATION APPRAISAL REPORTS

In conformance with the *Uniform Standards of Professional Appraisal Practice (USPAP)*

GENERAL

In the preparation of this report, the appraiser shall follow current professional appraisal practices giving consideration to two traditional approaches to value, unless otherwise specified in these instructions.

1. COST APPROACH
2. SALES COMPARISON (OR MARKET) APPROACH

Should certain approaches or requirements covered in these specifications not be applicable to the assignment, the obligation can be fulfilled by identifying that approach or requirement together with an explanation for its omission (i.e. an appraisal involving land valuation only would not typically utilize the Cost Approach). Of necessity, supplementary specifications will be furnished requiring additional data in the appraisal of highly specialized properties or under other unusual circumstances.

FORMAT

For improved residential properties, the report shall be based on the non-lender appraisal report form (GPAR type) with a durable cover having the property identified on the face thereof. All pages shall be numbered consecutively, including all exhibits. To provide uniformity for the Illinois Department of Natural Resources, the report shall contain information as outlined below.

PART I - INTRODUCTION

1. **Title Page.** This shall include:
 - A. Name, street address or parcel number (if any) of the property appraised;
 - B. Name and address of the individual making the report;
 - C. Effective date of the appraisal; and
2. **Letter of Transmittal.** This shall include the date of the letter; identifications of the property and property rights appraised; a reference the letter is accompanied by an appraisal report, a statement of the effective date of the appraisal, identification of any extraordinary assumptions, hypothetical conditions, limiting conditions, or legal instructions; the value estimate and the appraiser(s) signature(s).
3. **Summary of Salient Facts and Conclusions.** The major facts and conclusions that led to the final estimate(s) of value shall be reported. This summary should include an identification of the property appraised; the highest and best use of the property; brief description of any site and/or building improvements; the indicated value of the property by each approach to value used in the report; the final estimate of value; any extraordinary assumptions, hypothetical conditions, limiting conditions or instructions; and the effective date of the appraisal.

4. **Photographs.** Photographs shall be in color and show at least the front elevation of any major improvements, plus there should also be interior photographs as well as photographs of any unique features.
5. **Statement of Limiting Conditions.** The appraiser shall provide clear concise statements of all assumptions and limiting conditions including the following specifics:
 - A. the title to the property is marketable;
 - B. the appraiser assumes no responsibility for legal matters;
 - C. all data furnished by others are presumed correct;
 - D. any encumbrances to the property **MUST** be identified in this section of the report;
 - E. “boilerplate” types of assumptions and limiting conditions **MUST** be avoided;
 - F. assumptions and limiting conditions that are clearly the appraiser’s own conclusions **MUST** also be avoided.
 - G. any uninstructed assumption of hypothetical condition that results in a valuation other than the *retrospective* value of the property appraised as of the effective date of the appraisal will likely invalidate the appraisal.
6. **Scope of the Appraisal.** The appraiser shall describe the scope of investigation and analysis undertaken in making the appraisal. The scope should conform to the appraisal’s purpose and intended use. Geographical area and time span searched for market data should be included as well as the type of market data researched; the extent of the market data confirmation; references; and/or data sources relied upon. The scope of work will include, but is not limited to the following:
 - A meeting with individual land owners to conduct a physical inspection of each of the subject properties
 - An investigation of the surrounding community and real estate market areas including research into any physical and economic factors that could affect the property as well as real estate market conditions and trends
 - Collection of published tax assessment data, flood zone, zoning ordinances and other items considered relevant to the appraisal
 - Recognition of the subject’s neighborhood to measure current market conditions, supply and demand factors, growth patterns, etc. including the study and evaluation of available maps, publication of relevant data (such as economic studies, real estate trends, etc.) necessary to develop an opinion of the highest and best use for the subject property
 - Collection of data of vacant land sales of properties similar to the subject property, as well as, an approximation of land usage acreage for the subject and all comparable sales by use of aerial photography and other cartographic tools
 - Collection and verification of data by the buyers, sellers, or other parties to the transaction having knowledge of the price, terms, and conditions of sale supplemented by lenders,

governmental agencies and/or official public records available from the County Supervisor of Assessments, County Recorder of Deeds, and other public agencies

- Application of the appropriate approaches to value to arrive at a valid indication of the subject property's market value
- Finally, the subject property's market value will be expressed to the client through the use of a written report meeting the *Uniform Standards of Professional Appraisal Practice (USPAP)*.

7. **Purpose of the Appraisal.** This shall include the reason for the appraisal, the client, and also specifically identify the intended use and the Illinois Department of Natural Resources as an intended user of the report. The definition and source of market value **MUST** be placed in this section of the report.

PART II - FACTUAL DATA

8. **Legal Description.** This description shall be so complete as to properly identify the property appraised. If lengthy, it should be referenced and included in the Addenda/Exhibits (Part IV) of the report.

9. **Area, City and Neighborhood Data.** This data (mostly social and economic) **MUST** be kept to a minimum and should include only those facts which are considered to be essential in formulating the appraiser's conclusions as to significant trends. There should be sufficient data to support highest and best use. The use of "boilerplate" or demographic and economic data (often downloaded from the Internet) is unnecessary and unless the appraiser demonstrates the specific data directly impacts the market value of the subject property it shall be excluded.

10. **Property Data.**

A. **Site** – Describe the present use, accessibility and road frontage, land contours and elevations, soils, vegetation (including timber), views, land area, land shape, availability of utilities, mineral deposits, water rights associated with the property, easements, etc. A statement **MUST** be made concerning the existence or nonexistence of commercially valuable mineral deposits. The appraiser should discuss the beneficial and detrimental factors inherent in the location of the property.

B. **Improvements and Conditions** – This shall be a description of all improvements including their dimensions, square footage measurements, chronological and effective age, dates of any significant remodeling or renovation, condition, type and quality of construction.

C. **Use History** – State briefly the purpose for which the improvements were designed, dates of original construction and major renovation and/or additions or conversions. A three-year history of the use and occupancy of the property **MUST** be included.

E. **Sales History** – Any agreements of sales, options, and/or listings of the subject property as of the effective date of the appraisal **MUST** be analyzed.

- F. **Assessed Value and Annual Tax Load** – Include the current dollar amount of real estate taxes.
- H. **Easements/Restrictions** – give a detailed description of all easements and/or title restrictions affecting the property and the resultant impact they may have, if any, on the site's value and/or use.
- J. **Zoning** – Identify the zoning for the subject property. This **MUST** be reported in descriptive terms as well as by zoning code.

PART III - ANALYSIS AND CONCLUSIONS

- 11. **Definition and Analysis of Highest and Best Use.** The report shall state the highest and best use that can be reasonably made of the property. The valuation shall be based on this use. In no case shall the land be appraised for one highest and best use and the value of the improvements added when they do not contribute to the market value of the land under the highest and best use.
- 12. **Land Value.** The appraiser's opinion of the value of the land shall be supported by confirmed sales of comparable or nearly comparable lands having like optimum (highest and best) uses.
- 13. **Value Estimates.**
 - A. **Cost Approach** – This section shall be in the form of computational data, arranged in sequence, beginning with replacement cost, and shall state the source of all information used. Supporting documentation from the cost source used **MUST** be contained in the Addenda of the report. The dollar amounts of physical deterioration and functional and economic obsolescence, or the omission of same, shall be explained. This procedure may be omitted on improvements, both real and personal, for which only a salvage or scrap value is estimated.
 - B. **Sales Comparison (Market) Approach** – All comparable sales used shall be confirmed by the buyer, seller, broker, or other person having knowledge of the price, terms and conditions of sale. Each comparable shall be weighed and explained in relation to the subject property to indicate the reasoning behind the appraiser's final value estimate from this approach.

NOTE: Each comparable sale shall have the same Highest and Best Use as the subject property or, if not, a full explanation is needed.
- 14. **Reconciliation of Estimates.** The appraiser shall interpret the foregoing estimates and shall state his reasons why one or more of the conclusions reached are indicative of the market value of the property. When reconciling two or all three approaches, the appraiser shall take into account the type of property in relation to the adequacy of the data processed in each approach. This summary should explain the strengths and weakness of each approach and influence the weight to be given each one. Do not obtain a final estimate of value by averaging the individual indications. Place the greatest emphasis on the approach which most reliably reflects local

thinking and marketability. The appraiser shall give the final estimate of value in a definite statement.

PART IV - EXHIBITS AND ADDENDA

15. **Location Map.** This exhibit should display the location of the appraised property with the city or area in which the property is located. All maps should include a north arrow and the identification of the subject property.
16. **Comparative Sales Data Map(s).** These exhibits might include a comparable land sales map and/or comparable improved sales map. The maps should include a north arrow and show the locations of both the comparable properties as well as the subject property. If this requires the use of a map that is not of a readable scale, secondary maps showing the specific location of each of the comparable properties should be included. Comparative maps **MUST** be of sufficient detail with the subject property and each comparable property clearly identified so as to allow the properties to be easily located during any required on-site inspections by a review appraiser.
17. **Details of the Comparative Sales Data.** Sales **MUST** be identified by data taken from the recorded instrument (if recorded) AND from information obtained from the parties involved. In all cases, the comparable sales properties considered within the appraisal report **MUST** be personally visited/inspected and color photographs provided of those properties **MUST** be included.

The following items **MUST** be included in the Addenda of the report for each comparable sale used:

- A. Parcel number(s)
 - B. Address of property (street address or section, township, range)
 - C. GPS coordinates of the comparable sale
 - D. Date of recording
 - E. Sales consideration and terms
 - F. Type of Deed
 - G. Document number or deed book and page number
 - H. Name of grantor and grantee
 - I. Sale size
 - J. Sale price per unit of comparison (\$/acre, \$/square foot, etc.)
 - K. Highest and Best Use
 - L. Name and telephone number of confirmation source
 - M. Name of person confirming the sale
 - N. Legal description
 - O. Reservations, exceptions, and deeded restrictions, if noted.
 - P. Zoning.
18. **Floor Plans.** A floor plan sketch of all above-grade living areas is required.
 19. **Title Evidence Report.** If the agency provided a title report to the appraiser, it should be

included.

20. **Other Pertinent Exhibits.** This would include any written instructions given to the appraiser by the client, agency or its legal counsel, any specialist reports (timber appraisals, environmental studies, engineering reports, etc.), cost to cure estimates, leases, etc.
21. **Qualifications of Appraiser.** The qualifications of all appraiser(s) who made significant contributions to the completion of the appraisal assignment should be included.
22. **Appraiser Certification.** Each report must contain a signed certification in compliance with Standards Rule 2-3 of the *Uniform Standards of Professional Appraisal Practice (USPAP)*. The certification must contain an additional statement indicating the property owner or their representative was given an opportunity to provide a tour of the subject property. A statement indicating whether the owner/representative of the property did or did not accompany the appraiser during the inspection must also be contained in the appraiser's certification.