

STATE AGRICULTURE DEVELOPMENT COMMITTEE

2008 Annual Appraisal Conference

Program review

Susan E. Craft – Executive Director

Robert Baumley – Deputy Executive Director

Program Review

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Appraisal Handbook Amendments

Paul Burns, Chief Review Appraiser - SADC

Click -

<http://www.state.nj.us/agriculture/sadc>

[Click Farmland Preservation Program](#)

Appraisal Order Checklist Changes

- **Section 1.** – The breakdown of eligibility criteria for properties less than or greater than ten acres has been removed and replaced with two statements as to whether they are simply eligible or not.
- **Section II** - An example of local criteria has been added.
- **Section V – added** – Asks if the property has existing easements
- **Section VII – removed** – dealt with whether the subject farm was in a County or Municipal Planning Incentive Grant Program.
- **New Section VII – removed** -Appraisal Instruction for eligibility of 1998 zoning conditions

Handbook Changes

- **Page 8: Appraisal Considerations:**
(b) Pre-existing non-agricultural uses:
Statement added - 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.

Some Examples of Non-Agricultural Uses

- Retail Operations – Including farm Markets
- Industrial Operations – Saw Mills, processing facilities etc.
- Offices, veterinarian Barns not used for the farming operation

HANDBOOK CHANGES

- **Page 9: Zoning Valuation:** All references to the Garden State Preservation Trust Act Authorization for appraisals to be performed as though zoning as of 11/3/98 have been removed. The program by program breakdown is removed as all programs are now subject to the same appraisal conditions.

HANDBOOK CHANGES

- Page 13: Residential Opportunities: Statement added to clarify further that exceptions are to be considered as to their impact, both in the before and after values.



EXCEPTION IS SMALL ENOUGH THAT BEFORE VALUE MAY NOT NEED TO ADDRESS VALUE APART FROM STANDARD ANALYSIS IN THE GRID.

EXCEPTION IS SMALL ENOUGH THAT AFTER VALUE CAN BE ADDRESSED WITH AN ADJUSTMENT FOR RESIDENTIAL OPPORTUNITY.

Before Value Example: In the before value you may have a sale that is 50 acres and the subject is 100 acres including exception area. You are making a -15% for size. Logically you would make the same adjustment if the subject were reported as 97 acres (exception is 3 acres).

CONTINUED NEXT SLIDE

Continued

- In the after value you may find that 3 acre residential lots sell for \$100,000. You believe that the residential opportunity of the subject exception contributes \$75,000 (Discounted).
- A comparable sale 100 acres with no residential opportunity may have a value of \$5,000 per acre.
- The appraiser may want to make a +15% adjustment for residential opportunity ($\$75,000/97 \text{ acre subject} = \$773/\$5,000 \text{ per ac. Comp.} = 15\%+/-$) or you may just discern that a comparison of comparable sales with or without exceptions/res. opportunities indicate a certain pct. Difference in sale price.

FARM BEING
PRESERVED – 30 acres

EXCEPTION
– 15 acres

Exception is such a large percentage of the property (size or value) it may have to be valued unto itself both before and after and added to each value (Accounting for any bulk discounting)

APPRAISERS CAN CONSIDER SUCH A VALUATION TECHNIQUE WHEN THE RESIDENTIAL OPPORTUNITY WILL CONTRIBUTE SUCH A DISPROPORTIONATE VALUE THAT AN ADJUSTMENT WOULD APPEAR TO UNDERMINE THE CREDIBILITY OF THE REPORT.

EXAMPLE

- 15 acre residential lots such as the exception in the previous slide retail for \$1,000,000
- Appraiser believes raw land would value at \$60,000 per acre in before and \$15,000 (no residence) per acre in the after. In order to capture the contribution through adjustment the appraiser may have to make adjustments in the area of 40 - 50% and possibly 90% - 100% after if good comparables are not available.
- or

Example continued

- The appraiser can value land (30 acres) at raw prices using the grids and then do a separate analysis of the lot associated with the exception.
- Before: 30 acres @ \$60,000 = \$1,800,000 + \$900,000 (\$1,000,000 discounted for risk ,cost etc.) = Total \$2,700,000 or \$90,000/Ac. (30 Ac)
- After: 30 acres @ \$15,000 = \$450,000 + \$900,000 = Total \$1,350,000 or \$45,000/Ac. (30 Ac.)
- Easement = \$1,350,000 or \$45,000 per acre (based on 30 acres)

VERY IMPORTANT

- SADC CERTIFIES THE PER ACRE VALUE – NOT THE TOTAL DOLLARS

HANDBOOK CHANGES

- **Page 13: Statement added to clarify that an appraiser may consider the unity of use of tax lots not in the application.**

-Tax Lot in Application

– Block 1 Lot 1

-No residual ability to reside on the tax lot

-The appraiser can consider the adjacent lot under unity of use/ Residence before and after (if residential)

Not in
Application –
same owner

Road

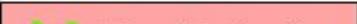
Handbook Changes

- Page 22: Riparian Land – statement added to clarify appraisal issues on riparian land and border water.
- The Key – Will SADC pay on it? If we will not pay on the area, the riparian or acreage under water should not impact the per acre value.

Wetlands



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In the Previous Slide

- Property was 64 acres, 32 of which was water
- The Appraisers were instructed to appraise 32 acres of upland for their per acre analysis.

Handbook Changes

- Statement added to clarify mandatory nature of the before value grid. Statement is in italics.
- The use of the following grid is mandatory when the highest and best use is residential development.

Charitable Contributions §170

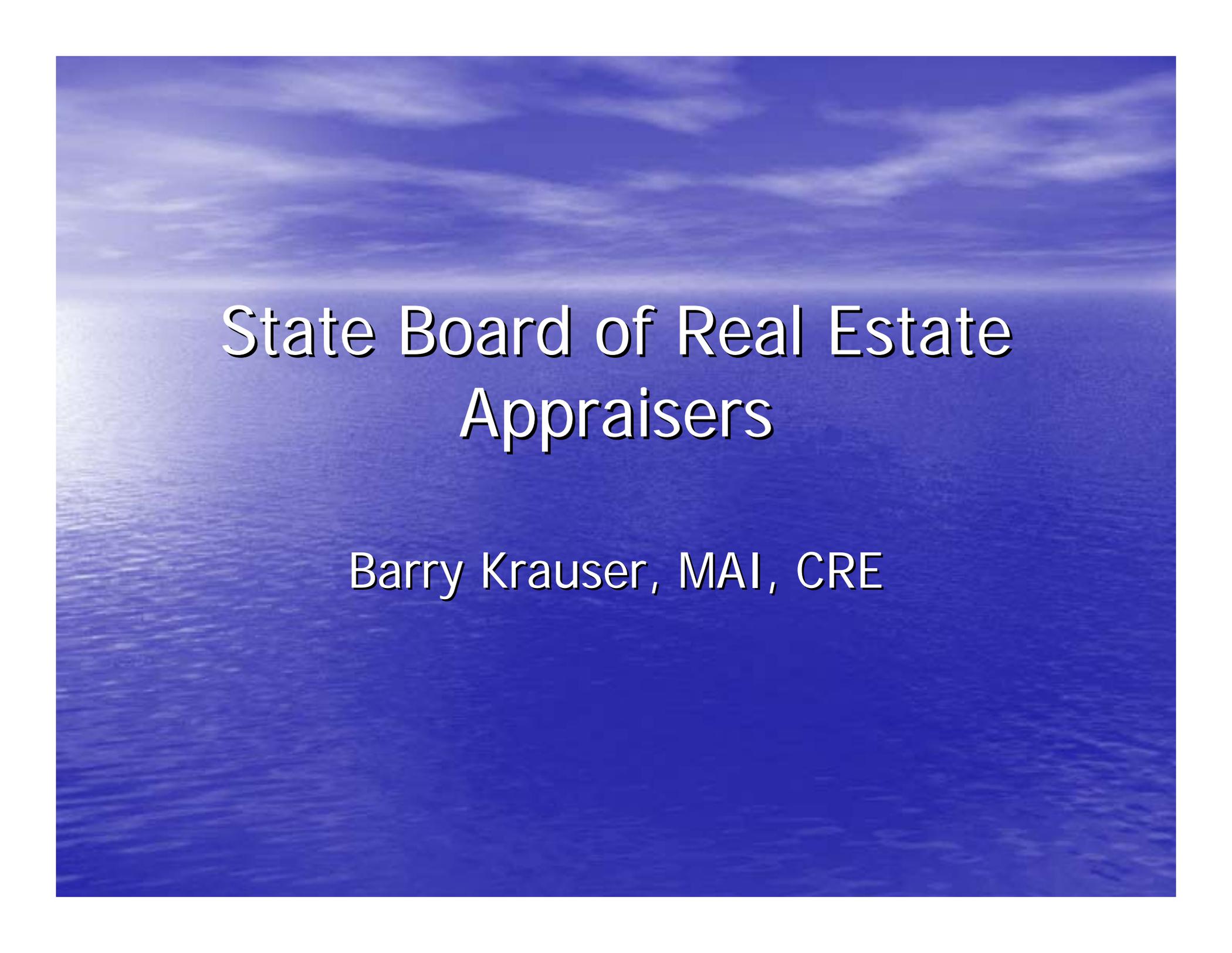
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Break 15minutes



The background of the slide is a photograph of a bright blue sky with wispy white clouds above a calm, deep blue body of water. The horizon line is visible in the middle of the frame.

State Board of Real Estate Appraisers

Barry Krauser, MAI, CRE

SSURGO Soils Mapping

- SSURGO Soils Mapping, Limitations for Septic Suitability and Agricultural Productivity
- Fred Schoenagel, Resource Scientist
USDA, Natural Resource Conservation Service. www.nj.nrcs.usda.gov

Existing Conservation Easements and Ordinances

- Brian Smith – Chief of Legal Affairs, SADC
- Paul Burns

Easement across entire frontage but property has access from approved but unimproved public road on adjacent property

- Easement did not allow for disturbance, but did allow area to be used toward density.
- Appraisers must consider
 - Value contribution of easement before and after to the remainder (can not be farmed)
 - Risk and expense associated with lack of frontage access as a damage

Conservation Easement – Borders of Properties

Appraiser must consider

- Does the easement allow the area under easement to go to density
- Is the Easement Revocable

Easement does not allow disturbance – bisects the property

- Does not allow the area of the easement to go toward density
- Appraiser must consider
 - Likelihood of easement being/not being rescinded
 - If possible to cross, intensity of development to be allowed
 - Cost and Expense of bridging (if permitted)

Buffer Ordinances and Dams

- Ordinance does not allow for disturbance
- Appraiser can not assume access from adjoining properties
- Appraiser must consider
 - Potential or lack thereof for crossing the buffer for development
 - Potential or lack thereof for crossing the dam for development

Appraisal Impacts of Easements and Ordinances

- Highest and Best Use – Do All Four Tests
 - Physically Possible
 - Legally Possible
 - Financially Feasible
 - Maximally Productive