



**N.C. Department of Agriculture & Consumer Services**  
**N.C. ADFP Trust Fund**  
*Appraisal Requirements and Checklist for Easement Programs*



**Grantees:**

*The grantee is responsible for verifying that the subcontractor meets the requirements described below and supplying the subcontractor with the attached survey checklist.*

*Failure to do so may result in the rejection of due diligence items and subsequent delays.*

N.C. Agricultural Development and Farmland Preservation Trust Fund (NCADFPTF) Easement Program (check only one):

- NCADFPTF Easement
- NCADFPTF and USDA-NRCS ALE Easement
- NCADFPTF and US Air Force Easement
- NCADFPTF and US Navy Easement
- NCADFPTF, USDA-NRCS ALE, and US Air Force Easement

For Agricultural Conservation Easement Program Agricultural Land Easements (ACEP-ALE) or RCPP transactions, these requirements and instructions are in addition to any closing instructions provided by the United States Department of Agriculture (USDA) Natural Resource Conservation Service (NRCS).

The Parties to this transaction are as follows:

State of North Carolina:  
 N.C. Dept. of Agriculture & Consumer Services  
 NC ADFP Trust Fund  
 2 West Edenton Street  
 Raleigh, NC 27601

**Landowner/Grantor (name & address below):**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_, \_\_\_\_\_

**Eligible Entity/Grantee (name & address below):**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_, \_\_\_\_\_



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Certified Development Rights Appraisals ("Appraisals") will only be accepted and approved by the Agricultural Development and Farmland Preservation Trust Fund (ADFPTF) if the following qualifications are met, and documentation of such is provided in the appraisal:

- ❖ The appraiser must meet the definitions of such set forth in U.S. Public Law 109-280 (<https://www.govinfo.gov/content/pkg/PLAW-109publ280/html/PLAW-109publ280.htm>). Including but not limited to:
  - Appraisers must be state-certified general appraisers with current registration.
  - Appraisers must provide documentation of completion of a valuation of conservation easements or eminent domain appraisal course.
  - Appraisers must be familiar with conducting appraisals of rural and agricultural properties of the requested type.
  
- ❖ The grantee is responsible for adequately locating the proper appraiser and identifying the scope for the assignment. The Appraiser must be licensed in the proper standards for the assignment. Based on the funding partnerships, the following types of appraisals shall be used to determine the effect of the conservation easement on the subject property:

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  - a. **ADFPTF as the sole funding source:**
    - i. **Uniform Standards of Professional Appraisal Practice (USPAP)**
    - ii. **Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA or "Yellow Book") appraisal**

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  - b. **USDA NRCS partnership projects:**
    - i. **Uniform Standards of Professional Appraisal Practice (USPAP)**
    - ii. **Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA or "Yellow Book") appraisal**

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  - c. **Military partnership projects:**
    - i. **Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA or "Yellow Book") appraisal**

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- ❖ The grantee must supply the appraiser with the following documents:
  - A copy of the survey approved by NCDA&CS staff AND any additional funding partners.
  - The environmental and legal prescreen and/or the Environmental Site Assessment or Environmental Audit.
  - A copy of all ownership documents, including the property deed that highlights all existing landowners.
  - A copy of the current tax card.
  - A copy of the ADFPTF-approved easement template identified in the contract.



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- ❖ Final conservation easement values must be determined by a Certified Development Rights Appraisal dated within the contract period and dated less than 365 days prior to closing. Supplemental appraisals or updates bringing **forward the effective date of appraisal** by the appraiser for the original appraisal are acceptable if a closing occurs 365 days after issuance of the Certified Development Rights Appraisal, provided the appraiser certifies the land value with an updated effective date of valuation.
- ❖ For the purposes of updating the values of the conservation easements for the federal permanent conservation easement tax incentive, supplemental appraisals, updates, or recertification letters may be submitted within 60 to 32 days before a potential closing date, pending the approval of all funding partners. All other deliverables must be approved if submitting an update. No appraisals, supplemental appraisals, updated opinion letters, or reaffirmation letters by the appraiser for the original appraisal will be accepted 30 days before a potential closing date or end of a contract.

***Please note: the N.C. Department of Agriculture and Consumer Services does not provide tax or legal advice to entities or individuals. Before considering a supplemental appraisal, updated opinion letter, or reaffirmation letter by the appraiser for the original appraisal within 60 of the potential closing, consult with your appraiser and tax or legal advisors.***

Additionally, grantees must agree to the following:

- ❖ The ADFPTF does not pay for property appraisals. The eligible entity (Grantee of the ADFPTF easement) must order the appraisal and be identified as the client. The landowner may not be the client but may be listed as an intended user.
- ❖ Provide the following appraisal checklist to the appraiser for reference, as well as review the appraisal with the landowner for approval **prior to** submission to Farmland Preservation Staff.
- ❖ Provide the appraiser with ADFPTF-approved survey, title commitments, deed, tax card, appropriate easement template and environmental assessments or prescreens.
- ❖ Forward any copies of appraisal to NCDA&CS staff as well as partnering funding agencies if applicable.



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***By signing this “Appraisal Requirements and Checklist for Easement Programs”, I am certifying that I meet the requirements set forth herein, which ensure that the State funds received for the purchase of the subject easement are handled in a manner that protects the interest of the State of North Carolina.***

\_\_\_\_\_  
Signature of Appraiser

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name of Appraiser

***By signing this “Appraisal Requirements and Checklist for Easement Programs”, I concur with the appraiser qualifications and agree to comply with requirements.***

\_\_\_\_\_  
Signature of Grantee Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name and Title of Grantee Representative



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## Appraisal Checklist

### APPRAISER MUST PROVIDE A FULL NARRATIVE APPRAISAL REPORT.

Presentation of a *qualified* appraisal by a *qualified* appraiser meeting the definitions of such set forth in U.S. Public Law 109-280

- (<https://www.govinfo.gov/content/pkg/PLAW-109publ280/html/PLAW-109publ280.htm>).

The appraisal must list the following:

- Name, Address, Registration #'s and Signature of qualified appraiser
- Date of Evaluation
- Effective or Valuation Date

The client must be listed as the grantee, while the intended users **MUST** include:

- The eligible entity (Grantee of the ADFPTF easement contract)
- NCDA&CS ADFPTF,
- Any additional funding sources,
- The landowner

The ADFPTF-approved survey **MUST** be the version used for valuation.

- The acres used to determine the easement value in the appraisal must be equal to the acres in the survey of the conservation easement area.
- The survey used for the valuation of the property must be included in the appraisal addenda.

The ADFPTF-approved easement template **MUST** be the version used for valuation.

- The easement holder should be identified, as well as the enforcement rights and legal remedies given.
- The appraiser will clearly state the restrictions imposed by the conservation easement and the rights specifically permitted that are retained.
- The narrative must address the impacts these restrictions will have on the valuation.

The appraiser must reference the environmental assessment, audit, or prescreen.

- Any potential Recognized Environmental Conditions or other potential hazards must be addressed and recognized in the valuation.

The appraiser must list the provisions related to the subordination of current and future mortgages and liens.

The appraisal must clearly identify the following calculations:

- Highest and Best Use Before Value
- Highest and Best Use After Value
- Conservation Easement Value

The appraisal must provide a clear description of the property in sufficient detail to determine easement specifics.

- The subject property must be extensively defined, photographs, and other documentation of property condition must be included.
- Any extraordinary assumptions or Limiting Conditions must be defined.



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If used, the highest and best use conclusion must be supported by market evidence.

- The conservation easement provisions affecting the analysis of highest and best use should be identified.
- A noneconomic highest and best use, such as "forever wild" or "natural lands," or any use that requires the property to be withheld from economic production in perpetuity, is not a valid use upon which to base an estimate of market value.
- The highest and best use of the property should be legally permissible, physically possible, AND financially feasible as well as maximally productive.

If the Sales Comparison Method is used, the following should be taken into account:

- Comparable sales must use easements with similar character.
- Highly restrictive easements, including wetland easements, may not be used as a comparable sale.
- Nearby transactions comparable to the land under appraisal with similar easement restrictions and reasonably current may provide the best evidence of market value.

The appraisal must provide a sales adjustment chart FOR BOTH BEFORE AND AFTER COMPARISONS

- The chart must summarize the adjustments,
- Show the final adjusted sale price and how the sales compare with the subject property is required,
- Market evidence and supporting narrative shall be provided for each adjustment used.

Enhancements to other or adjacent unencumbered property should not be considered as part of the valuation of the easement or quantified in the report. For ADFPTF use, only the prescribed or defined easement area being acquired using state funds is appraised.

- To meet the requirements of a qualified appraisal, the appraiser may identify the contiguous property and the other property that potentially will be enhanced.
- If no contiguous property exists, the question of the potential effect on value can be addressed in discussion.
- \*\*\*\*\*If the landowner seeks to claim a federal tax deduction, IRS regulations require additional enhancement considerations. It is advisable for the appraiser to meet with qualified tax counsel to discuss the best process for identifying contiguous property and related persons ownership and advise on appraisal updates needed to satisfy the IRS regulations on enhancements for deduction purposes. \*\*\*\*\* ***Please note: the N.C. Department of Agriculture and Consumer Services does not provide tax or legal advice to entities or individuals.***

Addenda Must Include:

- Copy of the NCDA&CS approved survey
- Copy of the tax card
- Copy of the property deed
- Copy of the Easement Template
- Legal description with photographs and other documentation of property condition
- Detailed qualifications of the appraiser, including a highlight of conservation easement or eminent domain coursework.



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Additional considerations to the appraiser:

- ❖ Finding sales of conservation easement encumbered properties is becoming easier. A useful starting point is the interactive national map on the Land Trust Alliance website. [www.lta.org/landtrustdirectory/](http://www.lta.org/landtrustdirectory/). If you click on the state, county, and easement organization, you can find the number of acres conserved and other details.
- ❖ The National Conservation Easement Database may provide easement information that is comparable as well. The NCED works to provide a comprehensive picture of encumbered properties, including easements on over 24.7 million acres.
- ❖ Assignment may include the development of two opinions of the value of the subject property: One before placement of the conservation easement and the second after placement of the conservation easement. The after condition or second value will be based upon a hypothetical condition that the conservation easement is in place and the effects on the value that may be created. The difference in the two values is the proposed conservation easement's effect on the property's value otherwise denoted as Conservation Easement Value.
- ❖ The determination of the significance and contribution to the value of any existing improvements on the appraised property is the responsibility of the appraiser.
- ❖ The property rights, such as mineral, water, timber, and hunting, must be owned in fee simple terms by the current landowners.
- ❖ Surface rights, including improvements such as structures, barns, hay sheds, fencing, orchards, or other plantings, and any irrigation water rights, including but not limited to wells, ditches, ponds, and lakes that provide irrigation on the subject property and are legally permitted, may be appraised. Crop base and allotments, including timber value on the subject property, may be appraised, and included in any valuations.
- ❖ If the survey identifies Farmstead Building Envelopes for future residential development, those sites for development may also be valued based on the highest and best use, particularly with designated road easements, road frontage, view sheds, utility, etc.
- ❖ The contract appraiser must be aware that all appraisal reports completed for ADFPTF grants will be used by staff who will rely on the details in the report to understand the property and market characteristics.
- ❖ The appraisal report must include the level of detail necessary to thoroughly explain and support the property description, highest and best use analysis, market characteristics, adjustment process, and all conclusions so that all users have an adequate understanding of the statements, opinions, and conclusions offered within the report.