

REAL ESTATE APPRAISALTable of Contents

1. Policy
  - .1 Scope
  - .2 Purpose
  - .3 Standards and Appraisal Report Use
    - A. Report Documentation
      - (1) Supervised Sales
      - (2) Negotiated Sales
      - (3) Exchanges
      - (4) Partitions
      - (5) Leases
      - (6) Easements
      - (7) Gifts
    - B. Request for Appraisal Reports
    - C. Public Agency Acquisitions
    - D. Patent in Fee, Removal of Restrictions, and Certificate of Competency
    - E. Time
  - .4 Contract with Professional Fee Appraiser
    - A. Necessity
    - B. Contract Form
    - C. Contract Appraisal Report Form
    - D. Qualifications of Contractors
    - E. Contract Procedure
    - F. Review
  - .5 Confidentiality of Valuations
2. Appraisal Methods
  - .1 Contingent and Limiting Conditions
  - .2 Three Approaches
  - .3 Cost Approach
  - .4 Market Data Approach
  - .5 Income Approach
    - A. Comments
  - .6 Correlation

52 BIAM is 8/31  
 being revised -  
 due to be published  
 in Oct. 1999 per Gabriel  
 Smokey 208-4311

Release 52-~~1~~, 4/16/70

4 7/31/79

BIAM REISSUE  
 FEBRUARY 1984

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REAL ESTATE APPRAISAL

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3. Special Considerations
  - .1 Rental Values
    - A. Leases
  - .2 Nominal Values
  - .3 Easements
  - .4 Appraisal of Minerals
  - .5 Appraisal of Timber
  - .6 Severance Damage
    - A. Cause
    - B. Computation of the Damage
    - C. Demonstrated Facts
    - D. Maps
  
4. The Appraisal Report
  - .1 Purpose and Use
  - .2 Forms
  - .3 Maps
  - .4 Photographs
  - .5 Standards
  - .6 Types of Appraisal Reports
    - A. Supplemental Reports
    - B. Memorandum of Opinion of Value
    - C. Gross Appraisal
  - .7 Types of Counseling Reports and Studies
    - A. Highest and Best Use Studies
    - B. Feasibility Studies
  
5. Authority
  - .1 Approval
  - .2 Review
  - .3 Contracting Authority

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REAL ESTATE APPRAISAL

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1. Policy

- .1 Scope. The general policies and standards for real estate appraisals outlined herein will apply to all real estate transactions affecting real property under, or to be taken under, jurisdiction of the Bureau of Indian Affairs. The exceptions to this are transactions involving fee patents, removal of restrictions, certificate of competency.

Prior to the final approval of any transactions involving real property or any merchantable interests therein, detailed appraisals will be prepared, clearly setting forth the particular interest to be conveyed, and the estimated fair market value and/or fair annual rental as of the date of valuation.

- .2 Purpose. The requirement for preparation of supportable estimates of value in appraisal reports is to afford an impartial protection of the common welfare in a manner that will avoid all valid criticism, and to specifically protect the interest of the individual and the Government by presenting factual evidence of equity in all real estate transactions.

The policy set forth herein is directed to the recognition of the Bureau's obligation as trustee to protect the rights inherent in the ownership of property in all such transactions which are under its jurisdiction, including the appropriation of private property for public use and to insure fair and just compensation in such actions.

- .3 Standards and Appraisal Report Use. All appraisals should conform to established and generally recognized appraisal practices and procedures in common use by professional appraisers engaged in private practice.

The requirement for thoroughness, soundness, accuracy, and professional consistency in all phases of appraisal work is absolute. It is appreciated that the costs of functioning as contemplated by established policies and procedures are

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REAL ESTATE APPRAISAL

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substantial, and it is essential that all unnecessary costs be eliminated and that overhead expense be held down by an efficient and well coordinated system of production; however, these instructions and any written or verbal comment in regard to the necessity of operating with a minimum amount of expense must not be construed to mean that standards of quality will be relaxed.

An appraisal is an estimate. It is an opinion. The appraisal's accuracy depends upon the basic competence and integrity of the appraiser, and upon the soundness and skill with which he processes the data. Its worth also is influenced by the availability of pertinent data.

An appraisal report contemplates estimates of "market value" or "value in exchange" to persons generally, in contrast to "value in use" to any one particular person, and that "market value" of a parcel of real estate is not a matter of exact determination, and that the appraisal report does not establish the value. Thus, notwithstanding the variety of meanings that may be attached to the term "market value" the essence of the entire appraisal concept lies in the exchangeability of property as a final test of value. The purpose of the appraisal report is to afford a background for the decisions of the buyer, seller, borrower, lender, owner, or tenant. The importance of an adequately supported appraisal report cannot be overemphasized. All real estate transactions are based inseparately on cost, price, or value. One of the three is always the primary consideration for adjudging equity in a real estate transaction and deciding what action will be taken.

Administrative actions thus guided by the appraisal report may accept or deny the appraisal estimate as such administrative determinations may, of necessity, be influenced by intangible or personal objectives which cannot and should not be reflected in an estimate of real property value.

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REAL ESTATE APPRAISAL

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- A. Report Documentation. Appraising is an observational science, whose laws are not immutable, but are, rather, general tendencies admitting numerous exceptions, which require the appraiser to exercise judgment in interpreting the facts which indicate value. This Manual information, and the official Bureau Appraisal Report Form, are primarily for the purpose of encouraging uniformity of approach to the solution of an appraisal problem. The prescribed information is not to be considered as complete or exhaustive. The official appraisal report form should not limit the scope of the investigation, nor bias the independent judgment necessary for the appraiser to arrive at supportable value estimates. The extent of the documentation of a property supported conclusion of value is of necessity a matter for determination by the appraiser preparing the report, and the Supervisory Appraiser.

The complexities of real estate transactions often require variations in approach to value, and therefore, offer wide latitude in the documentation necessary to meet the Bureau's obligation of properly prepared appraisal reports.

All opinions of value by the appraisers shall be based on the best available data properly analyzed and interpreted. It follows the amount of time and attention to detail that must be given to any particular appraisal problem will also vary within rather wide limits. While it is expected that all opinions of value be fully supported and all supporting evidence be documented, it is also expected that the appraiser will limit his attention to those matters germane to the particular appraisal.

- (1) Supervised Sales. The function of the appraisal report in the supervised sales procedure is to serve as a guide to the administrator and the Indian owner in their decision as to whether fair value of the property is indicated by the bidding. The phenomenon of the real estate market has conclusively shown that real property, although fairly priced, does not of necessity sell immediately when exposed to the open and

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REAL ESTATE APPRAISAL

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competitive market. This fact is recognized in the accepted definition of fair market value which allows "a reasonable time to find a purchaser who buys with knowledge of all the uses." The decision of what is a reasonable time, in the final analysis, is an administrative determination. This exercise of administrative prerogative is vital to the proper operation of real estate activities. Such decisions must also be the basis for the sale of land in cases where advertising has not produced a bid equal to the appraised value, but bids have been received which do not appear inconsistent with the appraisal.

- (2) Negotiated Sales. The appraisal of property to support negotiated sales does not vary materially from any other market value appraisal. The Bureau of Indian Affairs regulations provide "that negotiated sales may not be made at less than the appraised value," except for gift deeds and co-owners (Code of Federal Regulations; Title 25, Section 121.8).
- (3) Exchanges. Appraisals to support equity in proposed exchanges will of necessity be given the same considerations as appraisals for any other purpose. Many exchanges are motivated by individual desires or preferences. Such intangibles may not be considered as imputing value to the real estate involved. The appraiser will set forth only those factual evidences of value found in open competitive markets.
- (4) Partitions. The appraisal of real property for the purpose of indicating equity in partition is often a highly complex problem. Plottage usually must be given primary consideration. The appraiser should be ever cognizant that the disturbance of plottage through severing the ownership may diminish the value of the whole property. To be of maximum service, the appraisal report should indicate the value of

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REAL ESTATE APPRAISAL

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the whole, the value of the individual parcels proposed, and alternative suggestions by which equity may be reached in partitionment.

- (5) Leases. Long-term improvement leases usually present a complex and intricate appraisal problem. The appraisal report must be varied to meet the individual situations presented by these cases.

In instances where the lessor is to provide for the amortizing of the cost of the improvements by allowing a rental reduction credit to the lessee, the report should include an estimate of fair market value of the property before and after the improvements are developed to allow the administrator to compare the enhancement in value with the cost of effecting the improvements.

Short-term (5 year, or less) agricultural leases usually require a minimum of documentation to support fair rental estimates. Often the appraisement of a number of similar tracts can best be treated by gross appraisal techniques.

- (6) Easements. The appraisal for rights of way and easements, both permanent and temporary, often present complications to the appraiser. Generally, such complications arise out of the determination of severance damage. A "before and after" appraisal is usually required to complete the documentation of evidences of value. (See 3.3 Easements, and 3.6 Severance Damage.)
- (7) Gifts. The requirement for appraisal of real estate which is offered by the owner as a gift or grant as provided for by regulation is to offer factual evidence of the value involved. It is essential that the person making the gift be informed of all the values attendant to that gift. The appraisal documentation required for this type of transaction

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REAL ESTATE APPRAISAL

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will of necessity be governed by the complexities of the interest to be conveyed, such as life estates, etc., and with the values of these interests. Usually a memorandum of opinion of value can be adapted to present sufficient evidence of value to afford a basis for decision and appropriate action.

- B. Request for Appraisal Reports. Request for appraisal reports will be made only after the Superintendent or officer in charge of a jurisdiction has approved an affirmative action involving the transfer or encumbrance of interests in real property.

All requests involving trust or restricted property will be initiated by the Agency Real Property Management Section, approved by the Superintendent, forwarded to the Area Real Property Management Officer for review, and then forwarded to the Appraisal Activity for proper action.

Requests involving other than trust or restricted property will be coordinated with the Agency and Area Real Property Management staff before action by the Appraisal Branch.

Requests for special priority assignments will be made through the Assistant Area Director for Economic Development. For other than priority assignments, the Area Chief Appraiser will plan the requested workload so that it may be accomplished in the most efficient manner.

- C. Public Agency Acquisitions. Bureau policy requires the preparation of a detailed appraisal report in support of all real estate transactions. This requirement is not to be construed as an obligation of this Bureau to prepare appraisal reports for others for the purpose of establishing just compensation for individually held or trust properties. It is fundamental to recognize that it is by statute incumbent upon the agency who may exercise the power of eminent domain to tender just



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REAL ESTATE APPRAISAL

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compensation for the acquisition of land. It is the accepted practice to justify such offers by the preparation of appraisal reports in accordance with the rules of admissible evidence. This Bureau, therefore, should not assume this obligation. Procedure of cooperation and liaison with such agencies by which appraisal reports prepared by them will be submitted to this Bureau for our review and comments is desirable. The obligation inherent in this Bureau's trusteeship is to be assured that the landowner (allottee or tribe) receives fair and just compensation. This prerogative can usually be accomplished through such cooperative review of appraisal reports. Thus, with the basic knowledge of values possessed by Bureau employees in this field, the review of a properly documented report will suffice to guide administrative action. Predicated upon the submitted appraisal report appearing logical, and factually supporting the conclusions of value, an administrative statement may be prepared for delivery to the acquiring agency, stating that dependent upon the Indian owner's acceptance of an amount not less than that set forth in the appraisal report, this Bureau would not impose an objection to the transfer of the property or interest involved. Caution must be exercised in the review statement that the acquiring agency will be clearly informed that this Bureau's statement is not to be construed as binding upon the Indian owner or owners, nor should it in any way tend to limit, restrict or influence the bargaining prerogatives of the Indian citizen.

In those instances where disagreement arises, the differences should be clearly set forth in an appraisal review statement for the return to the acquiring agency. In the event such difference cannot be resolved by the technicians and it is considered administratively advisable to seek just compensation through condemnation proceedings, this Bureau will then assume responsibility for the preparation of appraisals prepared in accordance with the rules of admissible evidence to justify contentions of fair compensation on behalf of the trust owners.

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REAL ESTATE APPRAISAL

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- D. Patent in Fee, Removal of Restrictions and Certificate of Competency. The issuance of a patent in fee, removal of restrictions, or certificate of competency recognizes the ability of the Indian making the request to prudently conduct his business affairs. In general, these normal procedure cases should be handled by a letter. The information to be furnished is in the nature of an inventory of the characteristics of the property. The suggested letter should set forth clearly that the examination has been cursory and the valuation mentioned, while not specific, is a reflection of average values of properties having similar characteristics.
- E. Time. Appraisals made considerably in advance of the date of negotiations will be reviewed and brought up to date in order to reflect current market conditions. Property Management personnel must bring such cases to the attention of the Supervisory Appraiser who will assume the responsibility for a current valuation. It is incumbent upon the appraiser to recognize the general market value trends and consider the value of the property, if offered for sale over a reasonable period of time.
- .4 Contract with Professional Fee Appraisers. It is the policy of the Bureau of Indian Affairs to engage the services of competent consultant appraisers in the appraisal of real property when time limits, special problems, or other factors render such contract employment advantageous to the Government.
- A. Necessity. Funds for contractual services are not normally allocated to Areas. When in the opinion of the agency or area it appears advantageous to secure the services of contract appraisers, requests for an additional allocation to cover the contract will be sent to the Central Office. The request will state justification for contracting the essential work recommended, acreages or units to be included in the contract, completion time estimates, and estimated amount of money required to cover the work to be performed under contract.
- B. Contract Form. Standard forms setting out minimum specifications for contract performance are available

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REAL ESTATE APPRAISAL

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at the Central and Area Offices (see illustration 8). Additional stipulations will be written by the Area Office to cover specific performance in accordance with the particular requirements of the appraisal problems.

- C. Contract Appraisal Report Form. Wherever practical, contractors will be requested to utilize the Bureau standard form, allowing latitude in use thereof as deemed necessary to cover the appraisal requirements.
- D. Qualifications of Contractors. Contractors employed by the Bureau of Indian Affairs will be indisputably qualified to perform the appraisal task assigned. As a minimum qualification, the person responsible for the appraisal report should be qualified as able to meet the requirements set forth by the Civil Service Commission for a Real Estate Appraiser, Grade GS-12. Under negotiated contracts, qualifications of each contractor who enters into the negotiation will be made a matter of record in the area office at the time of negotiation. A list of qualified contract appraisers is maintained in the Central Office. Contractors must be selected from this list.
- E. Contract Procedure. Whenever it is not expedient, due to time requirements or other practical reasons, for Bureau staff appraisal personnel to prepare appraisal reports to support real estate transactions, and the tribe, group, or individual Indians requiring such service are financially able to bear the cost of such appraisal work, they should be encouraged to have the necessary appraisals prepared by independent fee appraisers. It is vital that there be the closest cooperation between the Bureau and the Indians in these cases so that a well qualified, professional appraiser will be selected, a contract for appraisal services (Illustration 7) will be prepared in a manner which will provide a complete statement of appraisal requirements and review of appraisal reports by Bureau technicians in order to assure that each appraisal report is technically adequate, and sound justification is documented in each report to support the value estimate.

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REAL ESTATE APPRAISAL

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It is essential to the fulfillment of our trust responsibility that the technical guidance of the Bureau be relied upon whenever trust lands or trust funds are involved in real estate transactions. It is of utmost importance that this service be offered in a manner that will explain the Bureau's obligation to protect the tribe, group, or individuals in such matters.

- (1) The tribe, group, or individual Indians will indicate their desire for fee appraisal service at the agency office.
- (2) The agency office will review the application as to the appropriateness of the action requested. In applications involving land disposal, approval of the appraisal contract should be limited to those cases where disposal is likely in the immediate or foreseeable future.

Likewise, where acquisition is contemplated, the request for contract appraisal should be accompanied by a preliminary plan indicating the proposed use and reasonable assurance that the property is available for purchase.

- (3) Where affirmative action is indicated, the tribe, group, or individual Indian will, with the assistance of Bureau technicians, select an appraiser from the Bureau's roster of qualified appraisers and negotiate for the appraisal work.
- (4) The agency will then submit the request for appraisal to the area office, indicating the type of action (acquisition or disposal), and the name of the contract appraiser, together with a statement of the amount and manner in which the tribe, group, or individual Indian has agreed to pay for the appraisal service.
- (5) The Area Reviewing Appraiser will assume responsibility for preparing the contract on the standard contract form, inserting such additional stipulations as are required to cover the specific type

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REAL ESTATE APPRAISAL

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of property involved and to insure the presentation of an adequately documented appraisal report. In order to assure complete understanding of contract requirements, it is advisable for the proposed contractor and the Area Reviewing Appraiser to personally discuss contract requirements during the presentation of the contract. The contract appraiser may sign the contract at this time. However, if as a practical matter the consultation with the contract appraiser is not feasible, the contract will be forwarded to the Superintendent for signatures of the parties involved. A copy of the executed contract will then be returned to the area office.

- (6) Upon receipt of the executed contract, the Area Reviewing Appraiser will notify the contractor to proceed with the contract work under limitations of the contract.
- (7) The completed appraisal report will be delivered to the Area Reviewing Appraiser, who will review it for contract performance, technical adequacy, and reasonableness and validity of the report.
- (8) After the appraisal report has been reviewed and approved, it will be forwarded to the Superintendent for appropriate action.

F. Review. Review of contract appraisal work will follow the same standard as is set forth in the Manual under 5.2.

- .5 Confidentiality of Valuations. Appraised valuations and the supporting appraisal reports are confidential, and the appraiser will not divulge his findings and opinions to anyone except persons clearly authorized to receive such information.

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REAL ESTATE APPRAISAL

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2. Appraisal Methods

Making an appraisal is solving a problem. The solution requires interpretation, in terms of money, of the influences of economic, sociological, and political forces on a specific real property. Characteristics of real property differ widely. This does not mean, however, that there is wide variation in the orderly procedure for solving appraisal problems. The best experience in the appraisal field has crystallized into the appraisal process. This process is an orderly program by which the problem is defined, and the data involved is acquired, classified, analyzed, and interpreted into an estimate of value. It is a dependable method of making a thorough, accurate appraisal in an efficient manner. It can also serve as the outline of the appraisal report.

- .1 Contingent and Limiting Conditions. The appraisal report should contain a statement of the contingent and limiting conditions upon which the appraiser's rationale has been premised.

This declaration of assumptions should be explicit, and set forth clearly to a reader the conditions under which the estimates of fair market value, or of fair annual rental reported are valid.

- .2 Three Approaches. Appraisers commonly think of value in three ways.

- (1) The current cost of reproducing a property, less depreciation from all sources, that is, deterioration and functional and economic obsolescence.
- (2) The value which the property's net earning power will support, based upon a capitalization of net income.
- (3) The value indicated by recent sales of comparable properties in the market.

The three approaches—cost, income, and market data—are based on these three facets of value.

In the majority of his assignments, the appraiser utilizes all three approaches. On occasion he may believe the

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REAL ESTATE APPRAISAL

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value indication from one approach will be more significant than from the other two, yet he will use all three as a check against each and to test his own judgment. Obviously there are appraisal problems in which they cannot all be applied. A value indication for vacant land is not often obtained through the use of the cost approach, nor one for a specialized property such as municipal edifice by the market data approach, nor but rarely for an owner-occupied home by the income approach. The use of all three approaches is pertinent in the solution of most appraisal problems; their application is well established in appraisal technique and held to be part of the fundamental procedure.

- .3 Cost Approach. In the cost approach, the appraiser obtains a preliminary indication of value by adding to his estimate of the land's value, his estimate of the depreciated reproduction cost of the building and other improvements. This approach is based on the assumption that the reproduction cost is the upper limit of value. This also assumes that a newly constructed building would have advantages over the existing building so the appraiser must also evaluate any disadvantages or deficiencies of the existing building as compared with the new building. The measure of this deficiency is called depreciation.

Depreciation may be one or all of three kinds:

- (1) Deterioration or the physical wearing out of the property.
- (2) Functional obsolescence or lack of desirability in terms of layout, style, and design as compared with that of a new property serving the same function.
- (3) Economic obsolescence relating in a loss of value from causes outside the property itself.

The appraisal function embraces estimates of the relative degree to which accrued depreciation has affected the market value of comparable competing properties and also

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REAL ESTATE APPRAISAL

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to estimate the remaining useful life of improvements or future rate of depreciation. Since both physical deterioration and functional obsolescence may be cured or offset by adoption of an adequate policy of maintenance, repair, and modernization, it follows that age alone is a poor guide in estimating accrued depreciation or in providing a basis for the estimate of future profitable life. Both accrued and remainder depreciation rates can be reliably estimated only from observation, past experience, and the exercise of sound judgment resulting from a survey of the premises with consideration to operating policies pertaining to maintenance repair and replacements and other pertinent evidence. Straight line depreciation rates or useful life tables based upon average standards of construction and the passage of time are, at best, rule-of-thumb guides which are to be used with caution as they may lead to serious miscalculations.

The cost approach consists of four steps:

- (1) The estimate of the land's value as if vacant.
  - (2) The estimate of the current cost of reproducing the existing improvements.
  - (3) The estimate and deduction of depreciation from all causes.
  - (4) The addition of the land's value and the depreciated reproduction cost of improvements.
- .4 Market Data Approach. The market data approach is essential in almost every appraisal of the value of real property. The value estimated by this approach frequently is defined as "the price at which a willing seller would sell and a willing buyer would buy, neither being under abnormal pressure." This definition assumes that both buyer and seller are fully informed as to the property and state of the market for that type of property, and that the property has been exposed in the open market for a reasonable time.

The application of this approach produces an estimate of value of a property by comparing it with similar properties



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REAL ESTATE APPRAISAL

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of the same type and class which have been sold recently or are currently offered for sale in the same or competing areas. The comparative processes utilized in determining the degree of comparability between two properties involves judgment as to their similarity with respect to many value factors such as location, construction, age and condition, layout, and equipment. The sale prices of those properties deemed most comparable tend to set the range in which the value of the subject property will fall. Further consideration of the comparative data will indicate to the appraiser a figure representing the value of the subject property, that is, the probable price at which it could be sold by a willing seller to a willing buyer as of the date of the appraisal.

The data involved in the application of this process concerns comparable properties as well as the subject property and will vary with the type of property. Four categories of data, however, are basic and apply regardless of the type of property. They are:

- (1) Sales or asking prices of comparable properties.
  - (2) Conditions influencing each sale.
  - (3) Location of each property.
  - (4) Description of land and improvements of each property.
- .5 Income Approach. In using the income approach, the appraiser is concerned with the present worth of the future potential benefits of a property. This is generally measured by the net income which a fully informed person is warranted in assuming the property will produce during its remaining useful life. After comparison with investments of similar type and class, this net income is capitalized into a value estimate. In dealing with such properties, the value tends to be set by the quantity, quality, and durability of the net income imputable to the property. The appraiser begins his work by analyzing the economic gross income. Economic gross income means the amount of fair rental value which the property is capable of producing, plus miscellaneous and service income, if any. The economic rental is based on comparative

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REAL ESTATE APPRAISAL

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rent levels, modified by the ability of the tenant to pay in relation to his sales volume. The economic rental may be more or less than the actual rental, and if a term lease is involved, adjustment for excess or deficient rent is made after first estimating the value based on economic rent.

In actual practice, most properties cannot expect to be fully and continuously occupied, so a deduction is made for anticipated vacancy and/or collection losses. The next claims upon income are the various operating expenses, such as taxes, insurance, administration, utilities, labor, repairs, allowance (if any) for replacements, and any other appropriate out-of-pocket expense.

"Net before depreciation" is the difference between income after vacancy and operating expenses. "Net before depreciation" is also known as "net before recapture," and also "cash flow before debt service and taxes." It is the true starting place for the capitalization process. Depreciation, income tax, special taxes, mortgage interest, mortgage repayment, and return on equity are all lumped together in the proforma net income. Because they are individual and variable, these costs are not subject to individual treatment.

Capitalization is the process of converting net before depreciation into value, either by dividing the income by appropriate rates, or multiplying it by a factor. Except for long-term leased properties, the recent practice has been to divide the income by rates.

- A. Comments. There is no single "right way" to capitalize income. The current acceptable methods illustrated here have certain built-in assumptions which vary. For example, direct capitalization with the over-all rate does not stipulate an economic life, nor does it differentiate as to what part is land and what part is building. It is simple and convincing where there have been sufficient open market transactions to prove the rate is correct. The straight line method, used here with the building residual technique, does postulate an economic life, differentiates as to land

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REAL ESTATE APPRAISAL

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and building, and in addition provides for a gradually declining net income. It may appear theoretical, but in practice it provides very satisfactory guidelines. The mortgage - equity method is the typical investor's approach, and the amount and type of mortgage he can get frequently will determine the price he will pay. Equity yields are a matter of observation and judgment. The virtue of the method is its closeness to buyer and seller reactions.

The annuity treatment assumes that there is an assured net income for a fairly long period, which favorably affects the quality and durability of the income. Hence, the property is worth more than otherwise. The Ellwood concept reflects the same factors as the mortgage - equity method. It also calls for an additional judgment as to whether the property will depreciate in the future more rapidly than the mortgage amortization, which means in turn that the equity may or may not increase in dollar amounts. It is a sophisticated approach, which requires the appraiser to think and to analyze carefully.

- .6 Correlation. The final step in the appraisal process is the correlation of the three indications of value derived by the cost, income, and market data approaches. In correlating these three approaches into his final estimate of value, the appraiser takes into account the purpose of the appraisal, the type of property, and the adequacy of the data processed in each of the three approaches. These considerations will influence the weight to be given to each approach.

The appraiser does not obtain his final estimate of value by averaging the three individual indications of value arrived at by means of the cost, market data, and income approaches. The appraiser instead takes the three preliminary value estimates and examines the spread between the minimum and maximum figures. He places the most emphasis on the approach which appears to be the most reliable as an indication of the answer to the specific appraisal problem. Then he tempers this estimate in accordance with his judgment as to the degree of reliance to be placed on the other two indications of value.

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REAL ESTATE APPRAISAL

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An appraisal report is a word portrayal of the property, the facts concerning that property, and the reasoning by which the appraiser has developed his estimate of value. The best report is the one which, in the fewest number of words, permits the reader to follow intelligently the appraiser's reasoning and to concur in the conclusions reached thereby. As every report is an answer to a question by a client, it should show the facts considered and clearly outline the reasoning employed by the appraiser in arriving at his answer.

3. Special Considerations.

.1 Rental Values. The requirement for the appraisal of leases to determine fair annual rentals arises first out of the fact that income received from property represents one approach to the value of the fee title to the property. This also applies in direct relationship to the Bureau's obligation in trusteeship to be assured that the Indian received fair annual rental for his property's use. It is generally accepted that fair rental value of property is the amount which in a competitive market a well-informed and willing lessee would pay; a well-informed and willing lessor would accept for the temporary use and enjoyment of a property. However, in many cases, the leasehold appraisal is one of the most complex and demanding problems faced by the appraiser.

A. Leases. In preparing lease appraisal reports, the appraiser's primary responsibility is the estimate of fair annual rental consistent with current standards of the locality or community. Suggestions by the appraiser concerning the type of leasehold terms and conditions may be included. The prevailing leasehold basis should be fully treated and discussed in the appraiser's report.

Bearing in mind that the appraiser looks to the future for benefits arising from ownership (or use and possession), the leasehold value must be measured by highest and best use of the property, i.e., that use which will most likely, over a period of time, produce the highest net return to the land.

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REAL ESTATE APPRAISAL

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It is thus evident that the appraisal investigations should form the background for sound recommendations of the type of lease most likely to facilitate the property's highest and best use. Usually, the straight ground lease fixed annual advance payment is the best real estate lease. However, like many generalities, this is not always true, and each lease problem must be analyzed for its peculiarities.

Development leases generally require individual concessions to meet investment demands. Agricultural leases are usually based on the premise that a proper straight ground lease reduces all risk of crop failure, drought, etc., to the lessor, also that the monetary advantage apparent in the gross percentage plus basic ground value loses its desirability in the demand it makes on the owner for lease management, verification of crop production figures, etc. The leasehold basis upon which his estimate of economic rent is premised should be fully treated and discussed in the appraiser's report.

In many instances, answers to the above will, of course, be obvious; such as absentee owners who would have no practical opportunity to properly operate a crop share or percentage lease. The Area Review Appraiser's recommendations and conclusions should be clearly set forth in a memorandum separate from the appraisal report to guide the administrator.

Where the temporary use of an entire property or other independent unit of an ownership is proposed, the appraiser will ordinarily report both the market value of the fee title and the fair annual rental value, in addition to the estimate rental for the interim use.

A summary of essential facts will ordinarily be sufficient to support fair annual rental estimates on average type agricultural or grazing and pasture leases. For this purpose Appraisal Form 5-100 can be adapted by using only those pages necessary to indicate basic considerations.

A sound rental value can ordinarily be estimated by comparison with established rentals of adjacent similar

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REAL ESTATE APPRAISAL

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properties in the community. However, care should be exercised to insure the reasonableness of the reported rental value. In selecting comparable rentals, the appraiser should avoid relying solely on rentals established under captured or distorted economy or agency production estimates. Conversely, it is incumbent upon the appraiser to select examples of evidence of value from investigation of open and competitive lease rentals established for similar properties held in unrestricted status. Of major significance are local custom of lessees' share, carrying capacity with animal-unit-month or cow-year-long pasture prices, and in business properties, volume and net profits should be indicated to support the rental estimates.

- .2 Nominal Value. Nominal values, generally value estimates of less than \$100, within the discretion of the reviewing appraiser, may be documented by a memorandum of opinion of value without complete use of the appraisal techniques. It is practical in most nominal value cases to adapt Form 5-100 L for this reporting so that it will not be confused with an appraisal report.
- .3 Easements. An easement is a property right of specified use and enjoyment falling short of fee ownership. It, therefore, follows that the value of an easement ordinarily is less than the market value of fee title to the property (exclusive of severance).

For the purpose of Bureau of Indian Affairs easement appraisals, ordinarily the measure of compensation for the taking of an easement is the amount by which the market value of the ownership is diminished by imposition of the easement. However, in many instances, the unit rate of compensation for easement grants may be established by the grantee acquiring specific interests. Such practice tends to establish supportable market value.

When the easement materially affects the value of an entire ownership, the appraisal will show the value of the entire ownership before and after imposition of the easement, and will include a full treatment of severance damages, if any.

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REAL ESTATE APPRAISAL

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- .4 Appraisal of Minerals. In all cases the value of the sub-surface will be included in the appraisal report, or the absence of any value noted. This breakdown of value within the report should be shown so that negotiations may be readily conducted to acquire or extinguish subsurface rights if they are outstanding in third parties, or if it develops that the vendors desire to reserve minerals. Unless the person who is appraising the surface has had training and experience in the evaluation of minerals, the subsurface evaluation should be made separately by a qualified mineral appraiser, and will be added as part of the appraisal of the whole property. Because the removal of certain minerals may destroy the usefulness of the surface, care should be exercised to avoid duplication of value. Minerals should be given value only in relation to the whole property value and the appraiser must properly account for purely speculative or short-term lease and bonus prices.
- .5 Appraisal of Timber. When land being appraised bears merchantable timber, the appraisal report will indicate the timber species, type, range of size, quality, and unit value; also, a discussion of logging, haulage, and market conditions should be reflected in support of the merchantable value. The amount by which the timber enhances the market value of the naked land is considered only in its direct relation to the value of the whole property. Where the land has only young trees or timber of unmerchantable size, the value thereof will be included with the value of the land.

Note: (References: Nichols on Eminent Domain; Vol. IV)  
With reference to 3.4 and 3.5 above, "When a tract of land contains valuable minerals and/or is covered with growing crops of trees capable of being converted into lumber, the rule is widely prevalent that the existence of these features are elements to be considered in determining the market value of such land, but even in such cases, the market value of the land as land remains the test. Hence, there can be no recovery for any of the foregoing elements valued separately as saleable items additional to the value of the land. Fixing just compensation for land by multiplying the number of cubic feet or board feet or yards or tons by a given price per unit has met with almost uniform disapproval of the courts."

REAL ESTATE APPRAISAL.6 Severance Damage.

A. Cause. Where only a portion of an ownership is being acquired, the owner is entitled to the market value thereof, plus an amount equivalent to any diminution in market value of the remaining ownership directly resulting because of separate ownership and control of the severed parcels. Severance damage can accrue only where there exists identity of ownership and unity of use operation.

Some causes of severance damage:

- (1) Reduction in the highest and best use of the remainder.
- (2) The resulting insufficiency of the remainder to support, physically, the normal operation.
- (3) Distortion in plottage or shape which handicaps normal use.
- (4) Loss of access to transportation facilities, roads, streets, rails, and water.
- (5) Fencing the residual land along the taking line, if essential cost is to be borne by the owner.

B. Computation of the Damage. Severance damage is not properly a part of the market value of that portion of the ownership to be acquired, hence the necessity for reporting such damage as a separate item. The measure of that damage can be computed only after the fair value of the entire ownership, the portion taken, and the remainder are estimated. In order to insure uniformity in reporting severance damage, the following example will be used for general guidance.

Severance Damage

The parcel taken comprises 214 acres of a farm unit of 420 acres with buildings appropriate to the operation of the whole.



REAL ESTATE APPRAISAL

Value before taking	\$42,000
Value after taking	<u>22,000</u>
Value of part taken and severance damage	\$20,000
Value of part taken	<u>16,000</u>
Severance damage	\$4,000

Adequate explanation of the damage is of paramount importance. Full details as to how the taking operates to lessen the market value of the remaining portion should be reported.

- C. Demonstrated Facts. Severance damage contemplates a physical, actual, and immediate interference with the normal highest and best use of that portion of the ownership not being acquired. Where the appraiser cannot satisfactorily demonstrate the operation of the damage element, the probability of actual damage is questionable.
- D. Maps. The appraiser will indicate on the tract map submitted with each appraisal involving severance damage the actual boundary lines of the entire ownership. The map should also show the principal physical features which give rise to the severance damage.

4. The Appraisal Report.

- .1 Purpose and Use. The appraisal report is an indispensable part of the documentation of a real estate transaction. It serves to establish and support equity in the exchange of property, thus assuring fair compensation to the seller and affords justification for the buyer in expending sums of money. It is, therefore, essential that its contents reveal that the appraiser consider all available pertinent and reliable data in developing his value conclusions. Generally, this involves comparisons of market prices and other data relating to similar property against the capitalization value of the income possibilities of the property appraised. A properly documented appraisal report should conduct the reader through the report in an orderly

Release 52-7, 4/26/70

4 7/31/79

BIAM REISSUE  
FEBRUARY 1984

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REAL ESTATE APPRAISAL

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sequence to demonstrate the logic of the reasoning that has been employed, and that the value conclusions have been based upon sound interpretations of adequate and reliable supporting data.

The value of an appraisal report lies wholly within the accuracy and reasonableness of the value estimate. Because of the instability of market trends, the usefulness of the report is nullified if it offers only an unsupported opinion. Sound appraisal reports must, therefore, be prepared in accordance with the basic rules of admissible trial evidence.

The elements which, in the judgment of the appraiser, impute value to the real estate being appraised, such as improvements, cropland, pasture, minerals, and timber (except as required in items 3.4 and 3.5 above), are value breakdowns used by the appraiser to signify his reasoning and are normally contingent on the value of the whole property. Thus, they should not be used separately and may be reliable only when used to reflect a contribution to the whole property value.

.2 Forms.

- A. Appraisal Report Forms. These forms have been designed merely as an outline to be used as a guide to encourage uniformity in presenting logical sequence, minimum essential data necessary to identify the property, indicate the scope of the appraisal problem and to disclose the principal reasoning processes and supporting data to sustain the appraiser's conclusions. It is not practical to prescribe the use of a standard appraisal report form that can be considered adequate to portray all the factors having to do with market value. However, general outline forms are printed and are to be used to promote uniformity to the extent practical (official Bureau Form 5-100).

The appraisal of lease values for average type agricultural or grazing and pasture leases will ordinarily require only a summary of essential facts to support the fair annual rental values. For this purpose, appraisal Form 5-100 can be adapted by using only those pages necessary to cover the pertinent facts. Pages 5-100A, 5-100B, and 5-100E are suggested.

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REAL ESTATE APPRAISAL

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The appraisal of an average 160 acres of grazing land or farm and grazing land usually need not follow the complete and detailed appraisal process. In those instances where adequate support is evidenced by use of the comparable sales technique, it will not, of course, be necessary to use pages designed for capitalization.

- B. Official Forms. The following official forms to be used in appraisal work by this Bureau appear as illustrations at the end of this chapter:
- (1) Appraisal Report Form 5-100 A, B, C, D, E, F, H, I, J, K, L.
  - (2) Appraisal Summary Log, Form 5-110B.
  - (3) Appraisal Accomplishment Report, Form 5-110C.
  - (4) Request for Real Estate Appraisal, Form 5-110D.
  - (5) Sales Data and Analysis, Form 5-130.
  - (6) Legend of Symbols for Appraisal Tract Plat, unnumbered.
- .3 Maps. A properly prepared appraisal report provides as a minimum, a plat map and a vicinity map showing the location of the subject and the comparable properties.

These combine to support the appraiser's opinion and to guide the user of the appraisal report. A plat properly prepared is often advantageous in showing desirability or objectionableness of physical features. Official Bureau symbols and color charts are to be used in appraisal mapping. It is helpful in indicating the extent of eroded waste, timber, brush or other areas having bearing on the property value. A guide for mapping and the symbols used to show land features is attached as an exhibit. Aerial photographs should be used whenever available; they are of material assistance and a great time saver to the appraiser in establishing geographic locations, fence lines, ditches, timber boundaries, roads, etc.

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REAL ESTATE APPRAISAL

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The amount of detail to be shown on an appraisal map will vary with the degree of importance the physical features have on the value of the land appraised, and also in direct relation to its productivity. In grazing areas the map should indicate general carrying capacity types, and unproductive areas. More detail should be indicated where the land is cultivated or has probable special use. A plat drawn to a scale of four to eight inches to a mile is recommended as well adapted to the appraisal of tracts from 40 to 640 acres. The 8-inch scale coincides generally with aerial photograph enlargements and is easy to use because one inch equals 40 rods.

Good maps may be obtained from many sources. County, State Highway Department, Agricultural Experiment Station, Bureau of Plant Industries, and United States Department of Agriculture maps are usually available. Aerial photographs may be purchased in many areas. Topographical maps on areas which have been so surveyed are available at the United States Geological Survey. Bureau of Indian Affairs' maps should be utilized whenever possible.

- .4 Photographs. In those instances where the property being appraised has unusual topographic features or improvements that materially affect the value of the land, it is desirable to make photographs of such items a part of the report. These photographs should be captioned to specifically indicate the improvement, the unusual features or characteristics of the lands that are being shown. It will not be necessary to use photographs on general appraisal work of Indian allotments where the land is the usual grazing or agricultural type. However, the importance of photographs should not be minimized; in many instances they function as undisputable evidence should controversy arise.
- .5 Standards. Appraisal reports are as individual in character as is the property under appraisement. The appraiser is, therefore, required to exercise judgment in the documentation necessary to support his value conclusions. Generally, the report will contain adequate coverage of the following items:

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REAL ESTATE APPRAISAL

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Identity of property appraised.  
Purpose of appraisal (estate appraised).  
Legal description.  
Date of valuation.  
Certificate of valuation.  
Statement of disinterest  
Personal inspection.  
Neighborhood and location analysis.  
Adaptability and highest and best use statement.  
Detailed description of the property.  
Cost approach to value.  
Market data approach to value.  
Income approach to value.  
Summary of value.  
Correlation of methods (the reasoning process).  
Photographs.  
Maps.

.6 Types of Appraisal Reports.

- A. Supplemental Reports. Supplemental or re-certification statements are prepared to correct changes in description of the original subject property when the highest and best use is not affected; also to make current the original appraisal if the time elapsed may have changed the values estimated. The supplemental should be attached to all copies of the original report and the previous value estimates voided.

Release 52-~~7~~, ~~4/16/70~~

4 7/31/79

BIAM REISSUE  
FEBRUARY 1984

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REAL ESTATE APPRAISAL

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- B. Memorandum of Opinion of Value. This is a brief written opinion of the value of a parcel of property generally conceded to have only nominal value. Although less detailed than a narrative report it will include the elements of a report, i.e., property description, inspection, date of valuation, highest and best use statement, evidence of value, statement of opinion of value, certification statement, and the signatures of the appraiser and review appraiser. It may also include a map, plot plan, or photograph. Nominal values cannot be defined in dollars; the matter of judgment is the responsibility of the area review appraiser.
- C. Gross Appraisal. A gross appraisal report is a detailed report containing, at least: (1) a narrative description of the physical, social, and economic factors of the area or region; (2) a presentation of all relevant data, documented and analyzed; and (3) the identification, description, brief analysis of data, and estimate of value for each individual subject property.

The gross appraisal may be useful where a number of similar properties within a homogeneous land area are to be appraised under the same limiting conditions and assumptions. The area encompassing the several individual parcels may be a segment of a reservation or an entire reservation. Gross appraisal data may be useful in the preliminary steps of creating a land use plan for a reservation, or a part of a reservation as they are in part an economic analysis of a given area. This report requires the signature of the contributing appraisers, the area review appraiser and the review and approval of the Central Office.

.7 Types of Counseling Reports and Studies.

- A. Highest and Best Use Studies. Highest and best use studies are land residual studies which hypothecate the various uses of a parcel of real property to determine which one of several will most likely produce the greatest net return to the land over a given period of time. These studies require a high degree

REAL ESTATE APPRAISAL

of professional skill in the orderly and meaningful analysis of the social and economic forces which dictate the most probable use of a specific parcel of property to produce the greatest net return to the land. Conclusions reached, without exception, require a detailed net income analysis as support. As with all types of counseling remarks or recommendations these studies are singularly a responsibility of the area review appraiser. They shall be made under his direct supervision and although credits may be extended to others, the study or memorandum setting forth recommendations is to be signed alone by the area review appraiser. Significant studies of this type should be reviewed in the Central Office.

- B. Feasibility Studies. Feasibility studies are land residual studies, for a specific proposed use of a parcel of property, which are needed to determine the net return of land (if any) which will be produced under a given development program. These studies also must reflect the highest order of professional appraisal skills. As with other counseling remarks or recommendations these studies require a detailed net income analysis to avoid the error of reporting subjective opinion and to keep the advocacy oriented to the market. These studies are singularly a responsibility of the area review appraiser. They shall be made under his direct supervision and although credits may be extended to others the study or memorandum setting forth recommendations is to be signed alone by the area review appraiser. Significant studies of this sort should be reviewed in the Central Office.

5. Authority.

- .1 Approval. The Area Director is responsible for the review and approval of real estate appraisal reports wherein the estimated fair market value and/or the estimated fair rental value are within his delegated authority. This approval authority currently covers all cases except the following:

~~(1) Acquisitions and disposals involving proposed expenditures of \$25,000 or more.~~ 53 BIAM SUPP. Release 3

Release 52-7, 4/16/70

4 7/31/79

BIAM REISSUE  
FEBRUARY 1984

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REAL ESTATE APPRAISAL

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- (2) Improvement leases for terms of 10 years or longer, or where the estimated expenditures for improvements exceeds \$25,000.
- (3) All gross appraisals, economic analyses, planning reports, highest and best use studies, etc.

This delegation of authority should not preclude submission of any appraisal reports to the office of the Chief Appraiser for technical advice and guidance. The delegated authorities may be raised or lowered depending on the quality and adequacy of the field appraisal staff and the performance of appraisal activities in individual areas.

The above delegated review authorities may be redelegated to a qualified appraiser on the area appraisal staff.

Real estate appraisal reports in excess of delegated authorities will be forwarded to the office of the Commissioner of Indian Affairs for approval. Such reports will indicate by a reviewing statement or signature the recommendations of the area reviewing appraiser.

It is within the prerogative of the area reviewing appraiser to waive specific standard techniques in the preparation of reports when conditions warrant.

Appraisers appearing as expert witnesses in behalf of the Government must obtain written permission from the Area Director each time they testify. This authority cannot be redelegated (Code of Federal Regulations; Title 43, Section 2.6).

- .2 Review. Appraisal review is fundamentally concerned with the accuracy of the estimate of value at a specific time. Thus, appraisal reports prepared considerably in excess of a transaction date should be supplemented by review statement before approval of the transaction. (Form 5-110B is to be used by reviewing appraiser as a control record.)



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REAL ESTATE APPRAISAL

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It is also of vital importance that the approach to value in the appraisal report be based on a determination of the highest and best use of the property under appraisal. This determination must, of necessity, be supported by factual data indicating the highest and best use of the property in the foreseeable future.

Aside from the application of technical knowledge, the reviewer is cautioned to assure himself that the evidence of value offered does factually support the conclusions of the appraiser. The reviewer should in all cases apply the acid test of judgment and reason to conclusions set forth in the report. An acceptable appraisal report should conduct the reader through the value approach in an orderly sequence and expose the logic of the reasoning employed. It should also clearly indicate that prudent interpretation of adequate supporting data has formed the basis for value conclusions.

When the appraisal review brings to light any questions concerning compensable items or other legal principles, the advice and counsel of the Solicitor's Office will be obtained.

Assuming that the appraiser can and does obtain such advice before and during the preparation of the appraisal, legal review of the final report, especially when such review may go into the appraisal process and opinion of value, is undesirable and unnecessary; nor does review and approval by an Area Director or other chief administrative officer for technical adequacy appear to be desirable or essential. Granted that such an officer has final responsibility for the land transaction for which the appraisal is made, his responsibility can be met by accepting or rejecting the appraisal as the sole support of equity in the transaction. Administrative determinations may consider factors other than the value consideration as shown in an appraisal report.

Release 52-7, ~~4/16/70~~

4 7/31/79

BIAM REISSUE  
FEBRUARY 1984

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REAL ESTATE APPRAISAL

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- .3 Contracting Authority. Contracting authority for services to be performed for the Bureau is delegated to the contracting officers designated in 41 CFR 14H, Bureau of Indian Affairs Procurement Regulations. Authorities of the Commissioner to approve contracts between Indians and contract appraisers are delegated to Area Directors in 10 BIAM 3.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF INDIAN AFFAIRS  
BRANCH OF REALTY  
APPRAISAL REPORT

<b>AREA</b> Enter the name of the Area Office.		<b>AGENCY</b> Enter the name of the Agency having jurisdiction.	
<b>PROPERTY OF</b>			
<b>ADDRESS</b>		Enter the name and address of the owner of the subject property.	
<b>PURPOSE OF APPRAISAL</b> To estimate the fair market value of the fee simple ( ) title of the property. If any portion of the title is to be reserved, such as minerals, oil and gas, rights of way or other reservations, these conditions should be so stated.			
<b>LEGAL DESCRIPTION</b> Insert the full legal description of the subject property. Reference to abstracts or other material for the description is not proper as this material is not a part of the appraisal report.			
<b>STATE</b>	<b>COUNTY</b>	<b>TOWNSHIP</b>	<b>RANGE</b> ----- B & M
<b>NUMBER OF ACRES</b>		<b>TYPE AND CHARACTER</b>	

Use date to which the appraisal is to apply. This may not necessarily be the date of the report. .... 19....

APPRAISED VALUATION AS OF . . . . .

FAIR ANNUAL RENTAL . . . . . \$-----

FAIR MARKET VALUE . . . . . \$-----

I certify that I have carefully examined the above-described premises and the amount indicated represents my best unbiased judgment as to the present market value of the fee simple title thereto, except as otherwise indicated. I do further certify that I have no present or intended future interest therein.

-----  
(Date) (Appraiser)

For use of Central Office for cases not delegated - or for Area Office Reviewing Appraiser for delegated cases.

RECOMMENDED ----- APPROVED -----  
(Date) (Date)

For use of Area Office Reviewing Appraiser when report is to be approved in Central Office.

-----  
(Name) (Name)

-----  
(Title) (Title)

**BIAM REISSUE  
FEBRUARY 1984**

PROPERTY OF

Enter name of property owner or allottee.

INSPECTION OF PROPERTY

Set forth date of examination, names of parties or individuals accompanying appraiser, whether appraiser had available an aerial photo, soil survey, etc.

NEIGHBORHOOD ANALYSIS (economy, access, location, utilities)

Set forth the location of the property in relation to roads and utilities, distance from market, name of town affording a market, distance to the nearest town affording a railroad. Set forth a brief description of the neighborhood and the prevailing economy, such as general farming, ranching, etc. All major influencing factors on real estate values within the immediate neighborhood should be furnished. This item must always set forth those factors which directly influence highest and best use, i.e., open range areas are not so dependent on availability of utilities as potential subdivision sites.

ADAPTABILITY (character, topography, climatic influence, use)

Set forth the highest and best use of the subject property within the foreseeable future. If the tract is being utilized for grazing and it is adaptable for cultivation, or if it is now being farmed but is potential subdivision, these facts should be set forth. Indicate average annual precipitation, mean annual temperature, frost-free growing, etc., for treatment of grazing and agricultural lands. For subdivision and commercial sites, indicate specific trends of neighborhood, soil drainage, adaptability of soil, and terrain for building construction. For recreational areas, give details of adaptability and desirability. Again, keep in mind that this information should, in a general way, tend to explain and justify highest and best use.

However, in the less complicated appraisals this space may well replace the sheet headed "Detail Description of Land," by inserting a statement under that heading in part of this space.

BIAM REISSUE  
FEBRUARY, 1984

PROPERTY OF

Enter name of property owner or allottee.

DETAIL DESCRIPTION OF LAND (soils, forage cover, drainage, etc.)

Generally, it should be possible to include enough information under the heading, ADAPTABILITY, to meet the requirements of this heading. However, in such instances as diversified farmlands, timber, minerals, growing crops, when they are a part of the transaction, more detail will be necessary. Land classifications should be shown by descriptive language rather than by SMO symbols. If a soil survey has been made, give a brief description of the principal soil mapping units along with the land class and subclass, including the soil depth, texture, permeability, slope and degree of erosion. This information is given on land capability charts and available at each reservation. If a soil survey is not available, the appraiser must make his own classification and furnish the pertinent information as to soil depth, texture, permeability, slope, etc. The results of a timber cruise should properly be shown as a substitute for the Capitalization of Income Analysis where a logging operation is contemplated. Nonmerchantable timber which imputes value to the land, however, should properly be recorded on this page.

(Lengthy technical discussions of soils capabilities should be avoided.  
Use brief and concise statements.)

B1AM REISSUE  
FEBRUARY 1984

PROPERTY OF

Enter name of property owner or allottee.

DETAILED DESCRIPTION OF IMPROVEMENTS (construction, depreciation, obsolescence) Where improvements are encountered on the subject property and are valued by cost less depreciation, they should be described in detail.

In the case of buildings, the following items should always be included in the description:

- a. Dimensions - indicate dimensions of structures - length - width - height. Height should be measured so that allowance is made for footings and should include height to half way up the gable, when per-foot values are assigned.
- b. Indicate type of construction - brick - stone - frame - cement block - window type, etc.
- c. Indicate interior finish - number of rooms - type of flooring - plaster or plasterboard - paper walls - heating system - plumbing - utilities, etc.
- d. Indicate age and condition of buildings. In many cases remaining economic life should be shown to reflect effective age.

In the case of other improvements, such as stock tanks or wells, indicate:

- a. Size of tanks.
- b. Depth of wells and capacity.

Where buildings are valued that have relatively small contribution values to the whole property, generalized construction statements are permissible.

BIAM REISSUE  
FEBRUARY 1984

PROPERTY OF

Enter name of property owner or allottee.

MARKET DATA (comparable sales or lease analysis)

The appraiser should list all comparable sales individually, giving the name of the grantor and the grantee, the date of the sale, record book and page, the consideration paid, the estimated value of improvements, if any, and the unit value of the land which results. He should give a brief description of the real estate involved in the sale and indicate the degree of comparability this property bears to the property under appraisal.

It is very important that sales of comparable land should be carefully verified as to the consideration and the circumstances surrounding the transaction. Only such sales should be used as will meet the requirements of the definition of fair market value. Sales made under duress, gift impulses, captured economy, locations or any other reasons which tend to inhibit free and open competitive market, should not be considered.

BIAM REISSUE  
FEBRUARY 1984

4 7/31/79

PROPERTY OF

Enter name of property owner or allottee.

CAPITALIZATION OF INCOME ANALYSIS (net profit processing, capitalization rate, assessed values and taxes, fixed charges, other expenses, etc.)

Capitalization is a process of asserting the magnitude or worth of a capital good which represents the proper relationship between the capital good and the income which it produces, thus a conversion of a series of anticipated annual payments into present value. The appraiser must therefore be ever cognizant that capitalization is properly applicable only to those instances in which an annual series of payments may prudently be expected over long terms.

When rentals are chosen to represent the income stream from the property, the appraiser should assure himself that the rental used represents the economic rental value of the property. Usually, this can be found by investigating rentals paid for similar properties in the area. This investigation has all the characteristics of the analysis of a comparable sale. The appraiser should guard against contract rentals made under duress, captured economy, or any other influences which prohibit the process of a free and open economy. Rentals, as any other income, must be reduced to the net part of the rental payment which is imputable to the land.

When rentals are not reliable and the appraiser is faced with the reconstruction of a net profit operating statement, caution should be exercised in reducing the gross profit to net income for the land. Production costs, taxes, insurance, maintenance, management, etc., should be given full consideration from the basis of normal long-term operating conditions.

Of major significance in the capitalization process is the selection of a proper capitalization rate. Degrees of speculation that may arise regarding the income stream, and liquidity factor, should be reflected accordingly as an increase in the capitalization rate. Money management and safe investment rates also become part of the capitalization rate selected. Many pitfalls for the appraiser are attributed to this part of the capitalization process. It is essential that the appraiser bear in mind that a proper capitalization rate is always that rate which will attract capital to the investment.

Because of the many exercises of judgment and the latitudes of interpretation that are placed on the appraiser in the use of this approach, it is not usually considered the most acceptable method to support value conclusions. However, in many instances, where the appraisal problem deals with income producing properties, apartment houses, office buildings, and in some instances farms and ranches, this approach proves to be a worthwhile tool for the appraiser.

In most instances, the capitalization approach is best used as a check against error in the conclusions indicated by use of the comparable sales approach. Where there is clear evidence and support for conclusions of value by comparable sales, this check need not become a part of the appraisal report.

BIAM REISSUE  
FEBRUARY 1984

4 7/31/79



PROPERTY OF

Enter name of property owner or allottee.

CORRELATION OF TECHNIQUES—CONCLUSIONS (summary statement showing which technique offers the most direct indication of present fair market value)

Insert here a brief statement as to the approaches that have been used, why one approach has been relied upon more than another. Briefly set forth why the approach relied on gives better support for value conclusions. If approaches not used in the report were explored, state why they were not reliable or not used as support of conclusions. A summary of the reasoning followed in arriving at the fair market value is essential.

BIAM REISSUE  
FEBRUARY, 1984

PROPERTY OF

Enter name of property owner or allottee.

PHOTOGRAPHS (use to indicate unusual topographical or improvement features)

The use of photographs should be limited to those instances where some particular feature of the terrain materially influences the value of the property or in those cases where it is necessary to show an improvement or buildings because of relationship to the value of the property or complicated design or construction.

For the general run of appraisals, photographs do not appear to be necessary.

BIAM REISSUE  
FEBRUARY 1964

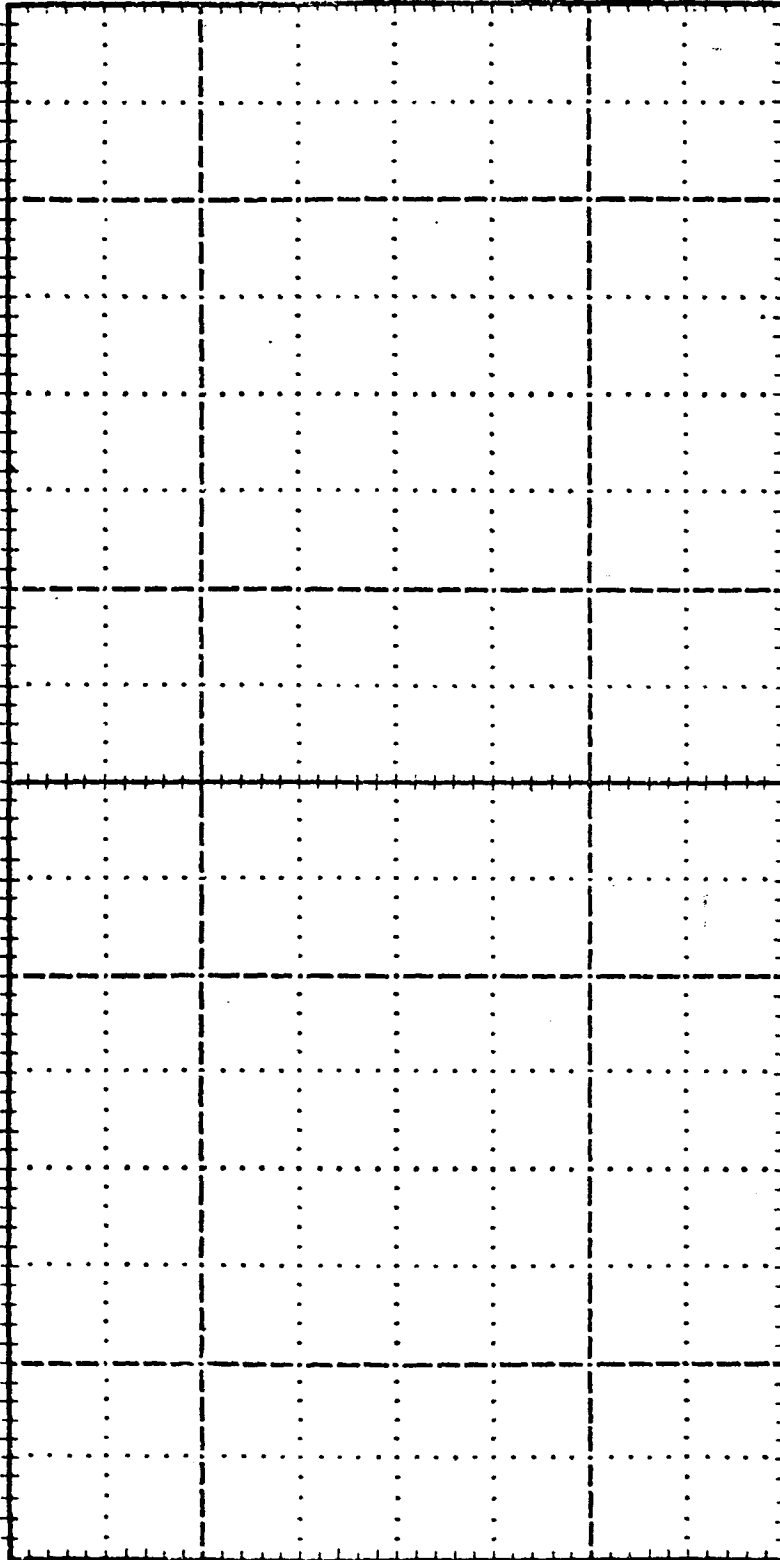
4 7/31/79  
Release 52-7, 4/16/70

PROPERTY OF

Enter name of property owner or allottee.

TRACT MAP

Section                      Township                      Range



LEGEND

- Cropland . . . . .
- Grazing . . . . .
- Pasture . . . . .
- Irrigated . . . . .
- Woodlands . . . . .
- Other . . . . .

SCALE

The diagram is flexible and the largest possible scale should be used.

NOTES

Different classes of land should be outlined and principal topographic features shown. Use note space for explanations when needed.

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BIAM REISSUE  
FEBRUARY 1984

PROPERTY OF

Enter name of property owner or allottee.

VICINITY MAP

The vicinity map should show the location of the property being appraised in relation to the important features of the vicinity. The scale of this map should allow a clear identification of the comparable sales used and indicate their location and the distance between these sales and the property being appraised.

BIAM REISSUE  
FEBRUARY 1984

PROPERTY OF

BIAM REISSUE  
FEBRUARY 1984

Release 52-<sup>4</sup>/<sub>7</sub>, ~~4/16/70~~ 7/31/79

Page



Form 5-110 C  
Apr 1964

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF INDIAN AFFAIRS  
Branch of Real Estate Appraisals

REPORT 52-1

Release 52-7, 4/16/70

4 7/31/79

AREA	TYPE OF CASE	NUMBER PREPARED	NUMBER OF ACRES	FEE VALUE	ANNUAL RENTAL VALUE	PENDING REQUESTS
	1. Disposals					
	2. Acquisitions					
	3. Rentals					
	4. Partitions					
	5. Easements, R/W					
	6. Inventories					
	Sub-total					
	7. Supplements					
	8. Reappraisals					
	Total					

The above total includes \_\_\_\_\_ appraisals completed by contract, \_\_\_\_\_ appraisals submitted by other Government agencies,

appraisals completed by Bureau personnel other than appraisal staff (specify whether Realty, Land Operations, Forestry, etc., under

Remarks)

Remarks:

BIA M REISSUE  
FEBRUARY 1984

REQUEST FOR REAL ESTATE APPRAISAL

TO: Area Realty Officer

A request for \_\_\_\_\_ was examined by the  
Superintendent on \_\_\_\_\_. It has been determined  
that the requested action is to be taken on \_\_\_\_\_.

ALLOTMENT NO. \_\_\_\_\_ ALLOTTEE \_\_\_\_\_

LEGAL DESCRIPTION \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

LEASED \_\_\_\_\_ TYPE \_\_\_\_\_ DATE OF EXPIRATION \_\_\_\_\_

TERMS \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

RIGHT-OF-WAY \_\_\_\_\_ TYPE \_\_\_\_\_

CONDITIONS \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

LAND CHARACTER \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Agency \_\_\_\_\_

Name \_\_\_\_\_

BIAM REISSUE  
FEBRUARY 1934

Title \_\_\_\_\_



INSTRUCTIONS TO BE USED IN THE PREPARATION OF FORM 5-110 D

1. Indicate the type action requested, i.e., supervised sale, negotiated sale, fee patent, right-of-way, etc.

Indicate the date the Superintendent reviewed the application and approved affirmative action on the application.

Indicate date of proposed supervised sale, if negotiated sale or fee patent, estimate date, other data will be processed to complete transaction.

2. Allotment No. - Allotment number from Agency records.
3. Allottee - Show single owner's name or heirs of (name).
4. Legal Description - Indicate legal description as shown on official records. Include descriptions of any rights-of-way or other exceptions and reservations from the land tract.
5. Leased - Indicate by "yes" or "no" whether land is leased.
6. Type - Show lease as agriculture, business, oil, gas, pasture or grazing permit.
7. Show date lease instrument expires.
8. Indicate dates of tenure granted by Superintendent, annual rentals and payments, restrictions and requirements, restoration clauses and improvement revisions. Standard soil conservation practices need not be explained, merely state standard.
9. Indicate rights-of-way, easements, crossing permits, driveway or other grants of use which extend beyond the proposed date of title transfer.
10. Indicate rights-of-way, easements or other instruments granted.
11. Indicate the terms and estate granted. Show payments made and severance damages when available.
12. Indicate land use, grazing, crop production, etc. Show carrying capacity or crop production if available. When detailed land classification and productive capabilities are available, attach on separate sheet.

**SALES DATA AND ANALYSIS**

SALES DATA		SECTION	TWP.	RGE.	
DATE AND KIND OF INSTRUMENT		+			
COUNTY	STATE				
RECORDED—BOOK NO.	PAGE				
GRANTOR					
ADDRESS:					
GRANTEE					
ADDRESS:					
CONSIDERATION IN INSTRUMENT \$	REVENUE STAMPS				
ACTUAL CONSIDERATION \$	DATE OF VERIFICATION				
AUTHORITY FOR CONSIDERATION					
LAND VALUE	TAX RATE \$	TOTAL TAX \$	LAND \$	IMPROVEMENTS \$	OTHER \$

LEGAL DESCRIPTION

DATA OBTAINED BY (SIGNATURE)	TITLE	DATE
------------------------------	-------	------

SALES ANALYSIS				
TYPE, CHARACTER, AND TOPOGRAPHY	ACRES	PRICE	VALUE	
CROPLAND			\$	
CROPLAND				
PASTURE				
TOTAL				
IMPROVEMENTS:				
			\$	
GRAND TOTAL			\$	

CONDITIONS OF THE SALE, REMARKS, ETC.







**BIAM REISSUE  
FEBRUARY 1984**

ANALYSIS OF SALE BY (SIGNATURE)	TITLE	DATE
---------------------------------	-------	------

4 7/31/79  
Release 52-7, 4/16/70



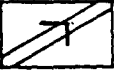
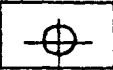



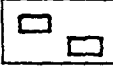

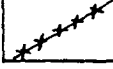
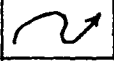


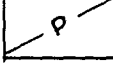
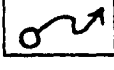
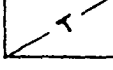

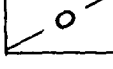

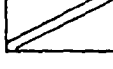

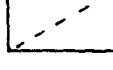

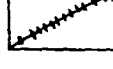

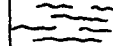
LEGEND OF SYMBOLS FOR APPRAISAL TRACT PLAT

C O L O R

	LAND UNDER APPRAISEMENT (RED BORDER)		MEADOW OR IMPROVED PASTURE (ORANGE)
	IRRIGATED CROPLAND (SOLID BROWN)		PASTURE AND RANGE (YELLOW)
	DRY FARM CROPLAND (BROWN & WHITE CROSS-HATCHED)		COMMERCIAL TIMBER (GREEN)

INDICATE LIVE WATERS IN BLUE. FOR VICINITY MAPS, USE RED TO INDICATE PROPERTY UNDER APPRAISEMENT; GREEN FOR COMPARABLE SALES PROPERTY.

S Y M B O L S

	MARSH		STEEP SLOPE TO VERTICAL ESCARPMENT
	IRRIGATION CANAL		OIL OR GAS WELL
	IRRIGATION DITCH OR LATERAL		MINE
	LAKE OR POND		BUILDINGS
	RIVER		FENCE - BARBED WIRE
	PERMANENT STREAM		FENCE - WOVEN WIRE
	INTERMITTENT STREAM		POWER LINE
	SPRING		TELEPHONE LINE
	DEVELOPED SPRING		PIPE LINE
	RESERVOIR		GRADED ROAD OR HIGHWAY
	WELL		TRAIL ROAD
	GENTLE SLOPE		RAILROAD
	STEEP SLOPE		RIVER WASH OR WASTE

4, 7/31/79  
Release 52-7, 4/16/70

SAMPLE

REALTY

52 BIAM

Illustration 7

CONTRACT FOR APPRAISAL REPORT

Indian Trust Property

(CONTRACTOR)

Contract No. \_\_\_\_\_

THIS CONTRACT, entered into this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_ , between \_\_\_\_\_ hereinafter called the "Owner" and \_\_\_\_\_

of the City of \_\_\_\_\_ State of \_\_\_\_\_ hereinafter called "Contractor," witnesseth: That for the purpose of the preparation of an appraisal as described in Sections \_\_\_\_\_ to \_\_\_\_\_ of this contract of certain lands in \_\_\_\_\_

the parties hereto do hereby agree as follows:

1. The Contractor shall appraise that certain property, legal description of which is contained in Section I hereto attached and made a part hereof.

2. The Contractor will make a personal inspection of the property or properties to be appraised, including each improvement, structure, fixture, or appurtenance thereon or thereunto belonging, and shall make such investigation and studies as are appropriate and necessary to enable the Contractor to derive sound conclusions of the property value in accordance with the rules of admissible trial evidence. Upon completion of the inspections, investigations, and studies, the Contractor shall prepare, furnish and deliver the appraisal report in five copies covering said property. The Contractor represents that he is qualified to make such a report. The report shall, in form and substance, conform to recognized appraisal practices and principles; shall present adequate factual data to support each rate, percentage, or amount used in sufficient detail to permit an intelligent review of the appraised report; shall relate his conclusions to these facts; and shall, among other things, include the items set forth in Sections \_\_\_\_\_ to \_\_\_\_\_ hereto attached and made a part hereof.

3. Contractor, within \_\_\_\_\_ calendar days from and after the date of notice to proceed, shall mail or deliver the required number of copies of the completed report to the Area Reviewing Appraiser, Bureau of Indian Affairs,

BIAM REISSUE  
FEBRUARY, 1984

Release 52-~~1~~, ~~4/16/79~~  
4 7/31/79

SAMPLE

REALTY

52 BIAM  
Illustration 7  
(Cont.)

4. \*In consideration of the performance of the undertakings under this contract, the Contractor shall be paid a lump sum of \_\_\_\_\_ (\$ \_\_\_\_\_), which shall constitute full payment to the Contractor and shall include costs of all supplies, materials, equipment, and all other expenses of any kind or nature incurred by the Contractor in performing hereunder, except Appraisal Form 5-100, which form is required and will be used for final submission of the report and be supplied to the Contractor by the Bureau of Indian Affairs. Payments for the undertakings under this contract shall be due and payable after review and acceptance of the appraisal report by the Area Reviewing Appraiser and upon submission of properly certified invoice, provided, however, that when so stipulated between the contracting parties and made of record at the Bureau of Indian Affairs office of record, the payment of the contract price may, at the option of the owner, be made upon the completion of the contract or at such time as the transaction for which the appraisal report was secured is consummated.

5. Contractor shall not divulge and shall take all reasonable steps to insure that no member of his staff or organization divulges any information concerning such appraisal reports to any person other than a duly authorized representative of the Bureau of Indian Affairs.

6. This contract may be changed by mutual agreement of the contracting parties and approval of the properly authorized official of the Bureau of Indian Affairs. If such changes justify an increase or decrease in the amount provided to be paid by paragraph 4 of this contract or in the time required for its performance, an equitable adjustment shall be made.

7. The Contractor agrees that prior to disposal by the owner of the property cited in this agreement, or a date two years from the date of completion of the appraisal report covering the said property, whichever is earlier, the Contractor and his employees will not, for his or their own account or accounts of any others, negotiate for the property unless the written consent of the Area Director of the Bureau of Indian Affairs is first obtained.

Release 52-7, 4/16/70  
4 7/31/79

BIAM REISSUE  
FEBRUARY 1964

SAMPLE

REALTY

52 BIAM  
Illustration 7  
(Cont.)

8. The Contractor agrees that the Area Director, Bureau of Indian Affairs, or any of his authorized representatives, until the expiration of three years after the final payment of this agreement, shall have access to and the right to examine any directly pertinent books, documents, papers, and/or records of the Contractor involving or relating to this agreement.

9. Except as otherwise provided in this contract, any dispute arising under this contract which is not disposed of by agreement shall be decided by proper designated official of the Bureau of Indian Affairs, who shall reduce his decisions to writing and mail or otherwise furnish copy thereof to the Contractor. Such decision shall be final and conclusive with respect to the questions of fact unless within 30 days from the date of receipt, the Contractor appeals therefrom by mailing or otherwise furnishing to the Area Director, Bureau of Indian Affairs, a copy of his written appeal. The decision of the Area Director of the Bureau of Indian Affairs, or his duly authorized representative shall be final and conclusive unless determined by Court of competent jurisdiction to have been fraudulent or capricious or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence. Nothing in this dispute clause shall be construed as making final or administrative decision of the question of law. In connection with any appeal under this dispute clause the Contractor shall be afforded an opportunity to be heard and to offer evidence in support of his appeal. Pending final decision of disputes hereunder, including adjudication of any litigation in connection with such decision, the Contractor shall proceed diligently with performance of the contract and in accordance with Bureau of Indian Affairs decision or any modification thereof which may be made hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this contract as of the day and year first above written.

\_\_\_\_\_  
(CONTRACTOR)

\_\_\_\_\_  
(INDIAN OWNER)

\*Note: Item 4 may be changed to meet the specific compensation requirements of the negotiated contract.

Release 52-7, 4/16/70

4 7/31/79

BIAM REISSUE  
FEBRUARY, 1934

NOTICE:

To remain attached to appraisal until case is approved:

Aberdeen

Rosebud

Runs Close To Village, RS-2182

To estimate Fair Market Value of surface rights and Fair Annual Rental, subject to Range Unit Permit expiring October 31, 1966.

SW 1/4 of Section 24,

S.D.

Mellette

44 N.,

32 W.,

6th P.M.

160 more or less

Agricultural

December 27, 65

(Cash) 170.00

3,900.00

March 31, 1966

BARCLAY J. ALLIBONE

Transmitted: _____	
Type of Case: _____	
Date Case Completed: _____	
Price: _____	BIAM REISSUE FEBRUARY 1984
Previous Rent: _____	

4 7/31/79  
Release 52-7, 4/16/70