

**GENERAL INSTRUCTIONS AND PROCEDURES
FOR FCT APPRAISAL ASSIGNMENTS**

Introduction

The Florida Communities Trust ("FCT") is a non-regulatory agency housed within the Department of Community Affairs. The FCT receives 22% of the total proceeds from the state's sale of Florida Forever bonds, or \$66 million. Using its Florida Forever allocation, the FCT makes grants and loans to local governments and non-profit environmental organizations. These monies are used to purchase land from owners and to pay the cost of the associated acquisition services from vendors.

The Florida Communities Trust has developed rules that describe:

- (1) how project applications from local governments are selected for funding [Rule Chapters 9K-7 and 9K-8, F.A.C.]; and
- (2) the procedures that must be followed for acquisition of approved project sites using Florida Forever funds [Rule Chapter 9K-8, F.A.C.].

Rule Chapter 9K-8, F.A.C., requires that land be appraised to determine its market value. Under provisions of that rule chapter, the fee appraisal(s) may be ordered either by the FCT or by the grant recipient. For jointly acquired projects, the fee appraisal(s) is to be performed to the standard outlined in Rule 9K-8.008, F.A.C.

Pursuant to Rule 9K-8.007(4), F.A.C., if a property value is \$500,000 or less, only one appraisal is required. If a property value is greater than \$500,000, two appraisals are required.

After the fee appraisal(s) is completed, an appraisal review is performed by a review appraiser under contract with FCT. The purpose of the appraisal review is to determine a *maximum approved purchase price*, which is the basis of all negotiations with a land owner and the basis of funding participation by the FCT. The interests of the State of Florida and the grant recipient must be protected throughout the land buying process. The appraisal and appraisal review component of the transaction are therefore especially important.

The purpose of these Instructions and Procedures is to set forth the steps necessary to accomplish FCT's appraisal process and, ultimately, a successful real estate transaction.

Uniform Standards of Professional Appraisal Practice (USPAP)

The Uniform Standards of Professional Appraisal Practice (USPAP) shall serve as the most appropriate guideline when preparing appraisals for FCT acquisitions. Instructions and Acceptable Procedures, as set forth herein, shall also be implemented to accommodate other useful or statutorily required information.

It is recognized that appraising is a professional practice that involves judgment. To this extent, nothing in the USPAP or the Instructions and Procedures is intended to substitute for reasonable judgment with respect to the appraisal and/or the appraisal review process. Notwithstanding the mandates of applicable statutes and administrative rules, appraisers and review appraisers retained or employed by an acquiring governmental agency or qualified non-profit organization may substitute reasonably prudent procedures with appropriate reasoning and support, when necessary, provided the public's interest is reasonably protected (i.e., pre-acquisition by local government).

General Instructions and Procedures for FCT Appraisal Assignments

Revised 01/04

Page 1

Nothing in these Instructions and Procedures is intended to substitute for the use of common sense and good judgment. Therefore, while deviations from these Instructions and Procedures are not encouraged, they may be acceptable if they reflect common sense and good judgment and do not violate the spirit or intent of applicable statute and/or rule.

Time is of the Essence

One measure of a successful real estate transaction is that it is timely concluded. Therefore, time is of the essence in the appraisal and appraisal review process.

Definition of Appraisal

The *Uniform Standards of Professional Appraisal Practice* (USPAP) as promulgated by the Appraisal Standards Board of The Appraisal Foundation defines "appraisal" as:

the act or process of developing an opinion of value; an opinion of value

Additionally, when describing an assignment under this contract, the term "appraisal" shall also include the process and all activities necessary to meet the contract requirements.

For each FCT appraisal assignment, fee appraiser shall take all steps necessary in order to certify:

- (a) that the appraisal has been conducted according to the most recent *Uniform Standards of Professional Appraisal Practice* approved and adopted by the Appraisals Standards Board of the Appraisal Foundation; and
- (b) that the appraisal required for that particular project site has been conducted in accordance with the procedures described herein.

Definition of Market Value

Unless otherwise stated in the appraisal assignment and contract, the estimate of value sought shall be that of market value. Market value is defined as:

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

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

¹Uniform Standards of Professional Appraisal Practice, 2003

Review of Appraisal

Appraisals shall be reviewed by a review appraiser who is employed by or under contract to FCT. The review appraiser must certify to FCT that the appraisals have been conducted substantially in accordance with Rule Chapter 9K-8, F.A.C. or to good appraisal practice and with the Uniform Standards of Professional Appraisal Practice, and must certify the appraised value(s) of the subject real property before FCT, or the FCT grant recipient, will use the appraisal for negotiation purposes or reimbursement.

Interpretation and coordination services shall be provided by review appraiser, *when possible*, upon the notification by FCT that the fee appraiser is under contract. The review appraiser shall interpret and coordinate appraisal instructions to fee appraiser(s) when requested. The purpose of the instruction and coordination is to promote an understanding of the appraisal assignment in order to minimize the possibility of a divergence of market value conclusions in the final appraisal reports.

The review appraisers currently under contract for the five FCT regions are as follows:

Region I (includes the western panhandle; eastern boundary is the Suwannee River):

Thomas G. Richards, MAI	OR	Clay B. Ketcham, MAI
Richards Appraisal Service, Inc.		Ketcham Appraisal Group, Inc.
Phone: (321) 255-5108		Phone: (850) 681-9400
Fax: (321) 255-5109		Fax: (850) 222-0564
Email: RichAppr@aol.com		Email: cketcham@sprynet.com

Region II (Hamilton, Suwannee, Lafayette, Dixie, Levy, Gilchrist, Columbia, Baker, Union, Bradford, Alachua, Marion, Putnam, Clay, Duval, Nassau, St. Johns, Flagler, Volusia Counties):

Clay B. Ketcham, MAI	OR	Henry C. Entreken, Jr., MAI	OR	Mark F. Zegel, MAI
Ketcham Appraisal Group, Inc.		Entreken Associates, Inc.		Zegel Valuation Group
Phone: (850) 681-9400		Phone: (727) 894-1800		Phone: (321) 255-5311
Fax: (850) 222-0564		Fax: (727) 894-8916		Fax: (321) 255-5109
Email: cketcham@sprynet.com		Email: Commercial@FI-Valuation.com		Email: mzege@juno.com

Region III (Citrus, Sumter, Lake Seminole, Orange, Brevard, Osceola, Polk, Hernando, Pasco, Hillsborough, Pinellas, Manatee, Hardee, Highlands, Okeechobee, Indian River Counties):

James I. Miller, MAI	OR	Mark F. Zegel, MAI	OR	Mark G. Sawyer, MAI
Southeast Appraisal Group		Zegel Valuation Group		Sawyer Realty Group, Inc.
Phone: (321) 777-1446		Phone: (321) 255-5311		Phone: (727) 522-0355
Fax: (321) 773-2796		Fax: (321) 255-5109		
Email: seapgrp@aol.com		Email: mzege@juno.com		Email: msawyer@takingvalue.com

Region IV (Sarasota, DeSoto, Charlotte, Glades, Hendry, Lee & Collier Counties):

Thomas G. Richards, MAI	OR	Mark G. Sawyer, MAI
Richards Appraisal Service, Inc.		Sawyer Realty Group, Inc.
Phone: (321) 255-5108		Phone: (727) 522-0355
Fax: (321) 255-5109		
Email: RichAppr@aol.com		Email: msawyer@takingvalu.com

General Instructions and Procedures for FCT Appraisal Assignments

Revised 01/04

ATTACHMENT A

Region V (St. Lucie, Martin, Palm Beach, Broward, Dade & Monroe Counties):

William H. Benson, MAI	OR	James I. Miller, MAI
W.H. Benson & Company		Southeast Appraisal Group
Phone: (321) 984-0999		Phone: (321) 777-1446
Fax: (321) 984-9796		Fax: (321) 773-2796
		Email: seapgrp@aol.com

Information Provided

If available, Florida Communities Trust will furnish the fee appraiser and review appraiser with title reports, tax identification number(s), legal descriptions and appraisal maps or certified surveys upon execution of a contract.

The appraisal map or certified survey acreage, if furnished to fee appraiser by FCT not less than 10 days prior to Appraisal Report Due Date, shall supercede any acreage previously provided.

FCT Project Identification Number

Each Request for Appraisal is numbered in a manner that corresponds to the FCT grant and project number under which the land will be purchased. This FCT Project Identification Number is important. It should appear on every document relating to the assignment, including any correspondence, the appraisal report, invoices, and any other material relating to the appraisal or maintained by fee appraiser.

Contact with Property Owner(s)

Fee appraiser is required to contact the property owner or designated representative by letter or telephone. The appraiser shall advise the owner(s) of the scheduled inspection date and request the owner or a representative to accompany the appraiser, if they so desire.

If the owner and/or representative does not accompany the appraiser on the inspection allowing the opportunity for the owner to share information, it is strongly suggested that the appraiser contact the owner and/or representative by telephone. This will allow the appraiser to question the owner/representative directly and for the owner/representative to share with the appraiser any information they believe to be pertinent to the appraisal of the subject property.

A copy of the owner contact letter shall be included in the Addenda of the appraisal report or a statement that the owner or representative was contacted should be prominently made in the report.

Special Value

No consideration shall be given to any special value of the property to the owner not directly reflected in the market value. Desirability to the owner by reason of sentiment, family history or specialized personal use shall not be considered in market value. Historical and/or archeological association may be considered only when and to the extent that it is recognized in the market.

Subject Sales History

A narrative discussion of the sales history of the subject parcel(s) within the previous five (5) years shall be included in each appraisal report. It is not the intent of this requirement that this be an abstract of title. Information regarding the frequency of sale, the parties involved, and the prices paid is useful to the appraiser and to those charged with the

General Instructions and Procedures for FCT Appraisal Assignments

Revised 01/04

Page 4

ATTACHMENT A

responsibility of making informed decisions as to whether to purchase and how to negotiate a price in the best interest of the public.

This history shall show date of sale, official record book and page, names of all recorded grantors and grantees, the indicated consideration regardless of amount, the verified consideration (if possible to obtain), and the source of verification. If the subject property was part of a larger parcel, the history shall so state, and these conveyances shall be reported. If a sale of the subject within the previous five (5) years is not employed in the valuation process, the appraiser shall explain the reasons for its omission. If no transfers of the subject property have occurred within the period specified, the appraiser shall so state.

The appraiser shall include, if applicable, a statement as to whether or not there have been any changes in or to the subject property since the last sale of record, if said sale has occurred within the past five (5) years. The effect of these changes on the value established in the most recent sale shall be briefly discussed. Changes affecting the property may include, but are not limited to, apparent accretion, reliction or erosion, land use adaptability, drainage, change of zoning or governmental regulation, change in status of utilities, annexation, etc.

Listing of Subject Property

The appraiser shall state the listing price of the subject (if applicable) and discuss all offers made during the listing period, if available. The appraiser shall comment on significant differences between listing prices and appraised value.

Assessed Value

The current assessed value(s) of the subject shall be presented. If the subject is assessed as part of a larger parcel, the assessed value for the parent tract shall be presented with a statement that the subject is assessed as part of this parent tract.

Property Data

The appraiser should describe the land by its present use and physical appearance, noting such pertinent factors as its location, size, shape, topography, access, highway frontage, water frontage, utilities, present zoning of the property, and any other pertinent features of either a positive or negative nature. The location description should be such that a reader can physically locate the property by use of the description. Existing means of ingress/egress, mineral deposits, drainage, easements/encumbrances and any other important features should also be described with a statement of their affect on market value, if any.

Highest and Best Use

Highest and best use is defined as:

The reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.¹

Highest and best use shall be considered to apply to the “immediate future”, which shall mean a period of time not to exceed five (5) years.

¹The Appraisal of Real Estate, 11th Ed., Appraisal Institute, 1996

ATTACHMENT A**Non-Economic Highest and Best Use**

A non-economic highest and best use is not a proper basis for the estimate of market value; therefore, a highest and best use of conservation, preservation, or other use that requires the property to be withheld from economic production in perpetuity, is not a valid use upon which to estimate market value.

Other Highest and Best Use Estimates

Highest and best uses such as “speculative investment,” “future development,” “assemblage with the adjoining ownership,” etc., are not acceptable unless the appraiser states the ultimate use of the property. The appraiser must state which speculative investment, or specifically what type of future development is contemplated. A highest and best use of assemblage should be used with caution because this use could be considered a value in use.

Government Comparable Sales

The appraiser is advised to avoid use of sales to non-profit groups, governmental, or quasi-governmental agencies. Discussion of such a sale in the vicinity of the subject would be appropriate. In a discussion of a sale to a governmental entity, reference should be made to the property’s economic highest and best use, and not the use for which it was purchased.

Transactions involving purchases whose intent is to preserve/conservate privately owned natural lands should be analyzed separate from private party sales.

Verification of Comparable Sales

The appraiser shall state the conditions of sale and whether the sale was an arm’s length transaction representative of what the buyer and seller perceived to be market value. The appraiser shall state the purchaser’s intended use and highest and best use of the property.

All sales, rental, offerings or contracts shall be verified with either a party to the transaction or the agent handling the transaction. The person in the appraiser’s office who made the verification and the party verified with shall be identified.

Sketch of Comparable Sales

A sketch of each sale property should be provided. This may be a freehand sketch, not to scale, but should depict the general shape of the sale property and should indicate access or any other information to assist the reader.

Photographs of Comparable Sales

Photographs of unimproved comparables on which significant reliance is placed are recommended. Photographs of significant improvements on comparable properties are required.

Income Approach

Discounted Cash Flow (DCF) methodology is based on the principle of anticipation; i.e., value is created by the anticipation of future benefits. DCF analysis reflects investment criteria and requires the appraiser to make

General Instructions and Procedures for FCT Appraisal Assignments

Revised 01/04

Page 6

ATTACHMENT A

empirical and subjective assumptions. It is the responsibility of the appraiser to ensure that the controlling input is consistent with market evidence and prevailing market attitudes.

The appraiser should not utilize a DCF analysis as the sole indicator of market value unless all variables/assumptions in the analysis are well-supported and carefully documented. A DCF analysis may be used as an additional tool available to the appraiser and is best applied as support to a value estimate in the context of one or more other approaches.

Interpretation and Reconciliation

The appraiser shall summarize and interpret all indications of value and shall state the reasons why one or more of the conclusions are indicative of market value.

Appraisal Checklist

The appraiser will be provided with the appraisal checklist (attached) which is to be completed by the appraiser and included in the Addenda of the appraisal report.

Submittal of Appraisal Report

Within the contracted period of time, the fee appraiser will submit three (3) original appraisal reports, in the recommended format described in Attachment B to the appraisal contract, to FCT. If the reports are obtained by the grant recipient, three appraisal reports will be forwarded to FCT for review (consisting of at least one original). FCT will conduct a cursory review to verify that the required reports have been submitted in the appropriate format by the fee appraiser.

Appraisal Review Process

Within five (5) working days of receipt of the report, FCT will conduct a cursory review of the appraisal report(s). Upon approval of the report's format, 50% of the appraisal fee will be released. FCT will forward the report and a Request for Appraisal Review to the review appraiser. The Request for Appraisal Review will contain a deadline that is twenty-one (21) calendar days from the date the review appraiser receives the request. When appraised values in two reports are significantly divergent, the review time period will be thirty (30) days. Extensions of the review time period may be granted by FCT only if written notification of such request is received from review appraiser prior to the end of the review period and with the approval of FCT.

Upon receiving a Request for Appraisal Review from FCT, the review appraiser will begin a desk review of the appraisal reports(s) in order to deliver a Memorandum that certifies:

- (a) that all the appraisals required for that particular project site have been conducted substantially in accordance with Rule Chapter 9K-8, F.A.C.;
- (b) that the appraisals have been conducted according to the most recent *Uniform Standards of Professional Appraisal Practice* approved and adopted by the Appraisals Standards Board of the Appraisal Foundation; and
- (c) the appraised value(s) of the subject real property and "the maximum approved purchase price," following the method of calculation in Rule 9K-8.007(5), F.A.C.

ATTACHMENT A

Approvable Appraisals; Acceptable Appraisals

An appraisal report shall only be used for determination of maximum approved purchase price or real estate contract negotiation after it has been *approved* by review appraiser.

Approval requires that review appraiser shall certify the appraisal report as stated above, which includes certification of the appraised value(s) of the subject real property. This certified appraised value shall lead to a determination of "the maximum approved purchase price" for purposes of real estate contract negotiations.

When a report is not certified as stated above, the review appraiser may find that the appraisal report is *acceptable* based upon the review appraiser's determination of technical sufficiency and conformity with the appraisal assignment.

Determination of acceptability shall require that the review appraiser take all steps necessary in order to certify, in accordance with Rule 9K-8.007(5)(b), F.A.C.:

- (a) that the appraisal required for that particular project site has been conducted substantially in accordance with Rule Chapter 9K-8, F.A.C.; and
- (b) that the appraisal has been conducted according to the most recent *Uniform Standards of Professional Appraisal Practice* approved and adopted by the Appraisal Standards Board of the Appraisal Foundation.

When the review appraiser finds a report is technically insufficient or does not meet FCT contract requirements and appraisal assignment, the review appraiser shall find the report *unacceptable*. No compensation shall be paid to the fee appraiser for appraisal report(s) determined to be *unacceptable*.

When Corrections to Fee Appraisals are Necessary

In the course of an appraisal review assignment, the review appraiser may request the appraiser to correct and/or clarify pages of a fee appraisal report.

If clarifications, additions or corrections are required prior to approval of the appraisal report, the review appraiser shall notify fee appraiser. Upon a written request from review appraiser, fee appraiser shall provide clarifications, additions or corrections to the Appraisal Report at no additional cost. Minor clarifications, additions or corrections may be required within as little as forty-eight (48) hours of the request from review appraiser. Fee appraiser shall furnish the required clarifications, additions or corrections within five (5) working days of notification at no additional cost. Three sets of the amended pages are requested directly from the fee appraiser and should be sent directly to the review appraiser. If clarifications, additions or corrections needed are lengthy and detailed, additional time may be requested in order to properly respond. Submittal of the clarifications, additions or corrections, if any, by review appraiser to the FCT shall be as provided above.

In the event the required clarifications, additions or corrections are not submitted in a timely manner, the remaining 50% appraisal fee will be withheld.

If further clarification, additions or corrections are needed, the process described in this paragraph is to be followed until the appraisal report is approved and payment is approved, as described in this Contract.

ATTACHMENT A**When Appraisal Reports Differ Significantly**

There may be occurrences where value conclusions of two appraisals differ significantly. Two appraisals shall be considered to differ significantly if the higher of the two values exceeds 120% of the lower value. The review appraiser will attempt to rectify the two appraisals prior to concluding the desk review.

Adjustments to Value Due to Information Revealed by a Final Survey or Title Commitment

After the real estate contract is negotiated, but before a closing occurs, the seller or the grant recipient will order a certified survey (or updated survey) and a title insurance commitment. These documents often reveal matters that may have an impact, either positive or negative, on the value of the property (i.e., difference in acreage, difference in percentage of wetlands to uplands, outstanding interests, easements, encroachments, etc.).

The review appraiser may be required to re-examine the fee appraisals using the updated information. If clarifications, additions or corrections are required prior to any adjustment to the maximum approved purchase price, FCT staff or the review appraiser may notify the fee appraiser. Upon request, the fee appraiser shall provide clarifications or adjustments to the appraisal report at no additional cost. Minor clarifications, additions or corrections may be required within as little as forty-eight (48) hours of the request.

Confidentiality of Appraisal

The appraiser shall agree by contract terms that FCT may release the appraisal report, or any part thereof, to the public under provisions of State law. Such agreement shall supercede any statements or limiting conditions contained in the appraisal report. Prior notice to the appraiser of release by FCT shall not be required.