

**Forest Service Manual
National Headquarters - Washington Office
Washington, DC**

Forest Service Manual 5409.12 – Appraisal Handbook

Chapter 30 – Appraisal Products

Amendment: 5409.12-2021-5

Effective date: July 21, 2021

Duration: This amendment is effective until superseded or removed.

Superseded Directive: 5409.12_40 Contents, Amendment 5409.12-2005-5; 5409.12_50 Contents, Amendment 5409.12-2005-6

Approved by: Tina Johna Terrell, Associate Deputy Chief, NFS

Date approved: July 12, 2021

Responsible Staff:

Explanation of changes: Following is an explanation of the changes throughout the directive by section.

Posting Instructions: Amendments are numbered consecutively by Handbook number and calendar year. Post by document; remove the entire document and replace it with this amendment. Retain this transmittal as the first page(s) of this document. The last amendment to this Handbook was 5409.12-2005-5 to 5409.12-2005-6

30: Changes chapter title from “Partial Interest Appraisals” to “Appraisal Products.” Revises chapter in its entirety. Makes minor technical, formatting, and editorial changes throughout the chapter.

31: Changes section title from “The Appraisal of Acquisitions” to “Appraisal Report Types” and sets forth direction.

31.1: Changes caption from “Rules and Principles for Partial Acquisition Appraisal” to “Appraisal Reports” and sets forth direction. Updates to include recognized appraisal industry standards regarding appraisal reports, contents, draft reports, delivery of an appraisal and electronic transmission of appraisal reports.

31.2: Changes caption from “Existing Roads” to “Restricted Appraisal Report” and sets forth direction. Updates section to provide for Uniform Standards of Professional Appraisal Practice (USPAP) and Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) guidance on use of report. Adds duty of Regional Appraiser to evaluate merits of using Restricted Appraisal Reports.

31.3: Changes caption from “Scenic, Conservation, and Other Use-restricting Easements” to “Oral Report” and sets forth direction. Provides clarification that although allowed under USPAP they are not permitted under Federal standards.

32: Changes section title from “Appraisal of Leased Property” to “Market Surveys, Feasibility Analysis and Consultation” and sets forth direction. Outlines tools other than appraisals to evaluate proposed transactions. Added USPAP Advisory Opinion 21 chart to outline appraiser responsibilities.

33: Changes section title from “Possessory Interests” to “Exhibits” and provides Consultation Examples in Exhibits 01– 03. Updates and combines report examples into this section.

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31 - Appraisal Report Types

31.1 - Appraisal Report

Appraisals are mandatory for all purchases, exchanges, or disposals of land or interests in land, and authorizations for use of National Forest System land except for acquisitions under appraisal waiver authority, donations, interchanges under the Small Tracts Act. Exchanges at approximately equal value under the Federal Land Exchange Facilitation Act, and certain interchanges and transfers involving other Federal agencies (FSM 5410.3.)

Appraisal reporting must address the content and level of information and analysis required to communicate the results of an appraisal for agency use.

Disclose appraisal information in accordance with FSM 6270 and FSM 5412.

The reporting options required by the Uniform Standards of Professional Appraisal Practice (USPAP) include an appraisal report, a restricted appraisal report and an oral report. The Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) also recognize these types of reporting options and provides Federal guidance regarding their use in the sections below.

In reporting the results of a real property appraisal, an appraiser shall communicate each analysis, opinion, and conclusion in a manner that is not misleading (USPAP 2020-21, STANDARD 2).

31.1a - Content of Appraisal Reports

Unless otherwise provided by the Agency, the content of appraisal reports would generally follow what is provided in UASFLA section 2.3. The recommended appraisal report format is outlined in UASFLA APPENDIX A thru D.

31.1b - Draft Report

A draft of all or a portion of an appraisal report requested prior to delivery of the final report can only be provided if it was identified as a part of the scope of work prior to beginning the assignment. The draft report should not be signed and must prominently display that it is a work in progress and is not the final report (UASFLA, 2.2.5).

Although USPAP does not explicitly define or address draft reports, the appraiser should be aware of state appraisal regulations and laws. Many laws define a report as any communication, written or oral, as an appraisal. Also, an appraiser submitting a draft report prior to completion of the assignment shall provide it in a manner that is meaningful and not misleading. Most importantly, the purpose of issuing a draft report should not be to allow or be perceived to allow the client to influence the appraiser (USPAP 2020-21, FAQ 329).

31.1c - Electronic Transmission of Appraisal Reports

The appraiser is responsible for the security of the appraisal report and all supporting documents when using electronic transmission (UASFLA, 2.2.4). In the transmission of electronic reports, the appraiser shall ensure that the report transmitted is not misleading or fraudulent. The appraiser shall be familiar with the electronic report created by the software used in the assignment and have a sufficient understanding of the report generating software used in an assignment to avoid the communication of misleading reports. In order to comply with USPAP, the electronic report that will be sent to the client must be examined by the appraiser prior to transmission to insure that it is not misleading or fraudulent (USPAP 2020-21, FAQ 299).

31.2 - Restricted Appraisal Report

Although Restricted Appraisal Reports are allowed under USPAP, they are not permitted under the UASFLA Federal Standards for acquisitions or litigation matters since they cannot be reviewed to the level of detail required for Federal acquisition appraisals.

This does not prevent the use of restricted appraisal reports prepared by internal agency appraisal staff for low value noncomplex acquisitions or for internal portfolio valuation (UASFLA, 2.2.2).

A Restricted Appraisal report is allowed under USPAP when the client is the only intended user, or, when additional intended users are identified by name, and is appropriate for the intended use (USPAP, 2-2(b)).

The Regional Appraiser shall evaluate the merits of using a restricted appraisal report and whether its use is appropriate for the intended user and the intended use of the transaction.

31.3 - Oral Report

Although Oral Appraisal Reports are allowed under USPAP, they are not permitted under the UASFLA Federal Standards. An oral report does not satisfy agency record-keeping requirements and cannot be reliably reviewed (UASFLA ,2.2.1).

32 - Market Surveys, Feasibility analysis and Consultation

32.01 - Authority

1. Title 36, Code of Federal Regulations, section 251.57. This regulation requires that fees be based on the market value of the rights and privileges authorized, as determined by appraisal or other sound business management principles.
2. Office of Management and Budget (OMB) Circular A-25. This circular as amended and supplemented, requires agencies to establish user charges based on sound business

management principles to the extent feasible, in accordance with comparable commercial practices.

32.02 - Objective

The objective of using market surveys is to identify in a cost-efficient manner a range of rental rates or property values supported by relevant market data from which land use authorization fees can be determined.

32.04 - Responsibility

1. Authorized Officer. The officer authorized and responsible for issuing the land-use authorization (usually the Forest Supervisor; FSM 2704) is responsible for the following in regard to market surveys:

- a. Deciding if a market survey should be prepared.
- b. Requesting in writing that a market survey be conducted (FSM 5410.71.2).
- c. Ensuring that market survey data forms are submitted to the Regional Appraiser for approval before the survey begins.
- d. Identifying a fee or fee schedule to set the actual fee, within the range identified by the market survey, using sound business management principles.
- e. Documenting (in a separate document) how the final fee/fee schedule was determined.
- f. Determining agency use of the market surveys.

2. Regional Appraiser. The Regional Appraiser is responsible for approval of market survey data forms before surveys begin.

32.05 - Definition

Market Survey. A macro analytic study of market rentals or property values for a specified land use in a given market area.

32.1 - Market Surveys

Market Surveys may be required as part of the scope of work for properties in transitional areas, special-use properties, or when the highest and best use is unclear and additional analysis is required. Market Surveys may be used for establishing fees for land-use authorizations that are not determined by appraisals or other means. The survey normally concludes with a range of market rents or property values. The Authorizing Officer shall decide

whether to have a market survey prepared and how it will be used. Market Surveys must be prepared by a Qualified Appraiser (FSM 5410.6).

Formal reviews are not required but may be requested by the Authorizing Officer.

Market Studies, Feasibility Analysis, and Consultation are appraisal products that can be used to evaluate proposed acquisitions, land exchanges, special-use fees, portfolio management, and aid in defining the Line Officer's strategic decision space.

The appraiser is responsible for USPAP compliance and shall indicate if the work in the report falls under appraisal practice or not, and shall communicate their role in the report pursuant to guidance provided by USPAP Advisory Opinion 21 below:

USPAP Advisory Opinion 21 (or succeeding guidance) provides guidance for appraisal products that fall under appraisal practice, and products that do not fall under appraisal practice.

← Valuation Services →		
Appraisal Practice Valuation services performed by an individual acting as an appraiser Appraisal and Appraisal Review (Development and Reporting)		Valuation services when not acting as an appraiser
All Rules apply. Standards apply. Which ones apply varies by assignment.	Other valuation services when acting as an appraiser Three Rules apply: ETHICS RULE COMPETENCY RULE JURISDICTIONAL EXCEPTION RULE No Standards apply in these assignments. Compliance with the RECORD KEEPING RULE and SCOPE OF WORK RULE is not required in these assignments.	
		When performing these services, do not misrepresent your role: i.e., clearly communicate that you are not acting as an appraiser.

Examples

Appraisal and Appraisal Review (Development and Reporting)	Other valuation services when acting as an appraiser	Valuation services when not acting as an appraiser
Appraisal with Appraisal Report	Researching market data (when acting as appraiser)	Brokerage
Appraisal with Restricted Appraisal Report	Teaching appraisal courses	Consulting (when acting as an advocate)
Appraisal with oral appraisal report	Analyzing specific elements of value (e.g., reproduction cost of functional utility)	Ad valorem tax consulting (when acting as an advocate)
Expert witness testimony		Auctioning
Appraisal Review with report	Consulting (when acting as an appraiser)	Litigation support (when acting as an advocate)
Selecting comparable sales data	Mechanical computation	Property management
*Calculation engagement	Developing educational texts	Mortgage underwriting
*Limited scope appraisal	Ad valorem tax consulting (when acting as an appraiser)	Leasing (agent)
*Evaluation	Providing raw sales data	
Purchase price allocation	Litigation support (when acting as an appraiser)	
Valuation engagement		

* **Note:** These terms are commonly used by appraisers to describe appraisals with a narrow scope of work. Regardless of the label used in the assignment, these opinions of value are appraisals as defined in USPAP. An appraiser may perform these assignments under USPAP by complying with the Rules and applicable Standards.

32.1a - Organization and Content of Market Survey Reports

Follow the organization and address the topics listed in the market survey report (ex. 01). Modifications may be made to the standard organization and content when there is a need to add information or to minimize duplicative material. If it is necessary to identify the document for internal use only, pre-decisional, or otherwise not releasable, boldly label page 1 to that effect.

32.1b - Market Survey Report Introduction

1. Assumptions and Limiting Conditions. When making a market survey of a use with conditions that might not represent the authorized use, carefully phrase and use an appropriate limiting condition. Speculative assumptions and limiting conditions are inappropriate. If there are critical assumptions, show the validity and justification for such assumptions.
2. Purpose and Intended Use of the Report. The primary purpose is to provide a market based analysis for the stated purpose. The intended use of the report is to aid the authorized officer in developing a fee or a fee schedule for a particular use, for configuring an exchange, estimating costs for a land purchase, and other landownership adjustment and land-use cases.
3. Definitions. Define terminology pertinent to the market survey.
4. Authorized Use. Define the rights and privileges authorized and the geographic area to which the survey will apply.
5. Procedures. Describe the procedure(s) used to make the survey.
6. Survey Area. Describe the survey area from which market data were collected. If the survey area is different from the area to which the data will be applied, explain the differences.

32.1c - Analysis in the Market Survey Report

1. General Description. Describe how data are organized and analyzed, and how they will be presented.
2. Market Data. Describe the data collected.
3. Analysis. Describe by category each factor which influences prices paid. Explain which transactions represent cash market rent/value for the authorized use and why other data deviate from cash market rent/value. Array data to best illustrate factors which affect value. Cite statistical measures which may be helpful, such as mean, median, mode, and range.

The data required depend upon the complexity of the problem, the availability of suitable rentals/sales, and the extent to which the pattern of rentals/sales indications varies.

Do not make comparisons of rental data with individual authorized sites.

32.1d - Market Survey Report Conclusion

Describe the conclusion based on the purpose of the survey and the data analyzed.

32.1e - Market Survey Addenda

Include the following items as applicable to the market survey:

1. Maps. Ensure that all maps are of high quality, clearly identify transactions, and show the date the map was prepared.
2. Market Survey Data Verification. Include verification for each transaction used in the report. The transaction number must match the number of the transaction as listed in the report. The verification format must be approved by the Regional Appraiser before the survey starts.
3. Photographs. In each copy of the report, as appropriate, provide original color photographs or high quality color copies of photographs of the authorized use and all comparable transaction data. Photographs may be in a separate exhibit in the addenda or included with the narrative description of the use and transaction data. Provide the following information with each photograph:
 - a. Identification of photographed scene; include direction of view and other pertinent information.
 - b. The name of the photographer.
 - c. The date the photograph was taken.
4. Other Pertinent Exhibits. Present any additional data pertinent to the market survey, such as documents, charts, maps, and other information.
5. Qualifications. List the qualifications of each person who contributed to the report.

32.2 - Feasibility Analysis

For proposed land exchanges, feasibility analysis may include information which can be used to guide decision-making with respect to addition or deletion of lands from the proposed land exchange, consequences of acquisition of structural improvements, consequences of acquisition or severance of water rights, effects of configuration on value, or other similar observations, and should be included as a part of the exchange feasibility analysis to provide

guidance to the Authorized Officer on potential valuation issues associated with the Federal and non-Federal lands for all land exchanges.

If it is necessary to identify the valuation feasibility report for internal use only, pre-decisional, or otherwise not releasable, boldly label page 1 to that effect.

33 - Exhibits

These Consultation Examples are provided as sample reports. Please note that actual names and locations have been modified to protect the privacy of individuals and business entities.

Exhibit 01 – Feasibility Report

Exhibit 02 – Land Exchange Valuation Consultation

Exhibit 03 – Consultation

**33 - Exhibit 01
Feasibility Report**

**Horizon Mining, LLC Proposed Land Exchange
Valuation Feasibility Report**

File Code: 5430/5410

Date: 30 August 2019

Route To:

Subject: Horizon Mining, LLC Proposed Land Exchange – Feasibility Report
(Coronado National Forest)

To: Director of Lands & Minerals
Realty Specialist

This **Valuation Feasibility Report** is prepared pursuant to the guidance as provided in FSH 5409.12. Although this analysis has been completed in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP), the report and ensuing conclusions are exempt from the specific performance requirements of Standards 1 through 5. Refer to Advisory Opinion 21 (USPAP 2020-21) for additional information on this exemption. **This report is for USDA Forest Service use only and must not be released outside the agency.**

On 17 May 2019, the Coronado National Forest requested a consultation to determine the feasibility of a proposed **land exchange**. The consultation was based on file, electronic, and other data available to the Agency. The following parcels are identified for the proposed exchange:

Federal Lands

Coronado National Forest

Approximately 980 acres located in;
(Provide actual Legal Description and location).

Non-Federal Lands

A tract of private land comprising approximately 640 acres in the area located in;
(Provide actual Legal Description and location).

Location and Access Differences

Both the federal and non-federal properties are located in the Sierra Vista Ranger District on the Coronado National Forest. The federal parcel has State Highway frontage on the east side of the

33 - Exhibit 01 - Continued

parcel. Fronting on a State Highway, the federal parcel clearly has paved legal and physical access. The non-federal parcel is accessed by local County Road 22, and then by NFS Roads 453 and 622C.

County Road 22 carries less traffic than the State Highway and the last two miles +/- to reach the non-federal parcel are gravel/dirt over Forest System Roads. Forest Road 453 crosses about ¼ mile of private lands between the non-federal property and County Road 22. Both the title commitment and the request for this feasibility consultation indicate that the property does not enjoy legal access. Quality of access is a clear difference between the federal and non-federal parcels, which has potential to magnify the potential value disparity between the two sides of the exchange relating to differences in highest and best use.

Potential Highest and Best Use Differences

Highest and best use (HBU) is a conclusion to be analyzed and supported by the appraiser assigned to the case when it is actually appraised. I have not completed HBU analyses on either property, but have identified potential HBUs based upon subject property characteristics

The non-federal subject property is a 640-acre tract of rural ranch land located in the Sierra Vista Ranger District. The property is raw land with potential highest and best uses that would likely be one of the following (or similar): rural residential uses, recreational uses, and hobby ranch uses. The property was purchased by Horizon, LLC for \$2,200/acre in November 2016 with significant seller financing. Based upon a review of limited area sales information, the sale price of the non-federal subject appears to be near the upper end of the range for larger sales in the area.

It is the intent of the parties for Horizon Mining, LLC to relinquish unpatented mining claims on the Federal subject property prior to closing. This is standard procedure for administrative land exchanges. As a result, the mineral resources on the property will be an included component of the valuation. The non-federal property consists of Parcel 17 (198 acres) which includes a quarry and overburden areas of the facility. This parcel includes a significant portion of the limestone deposit that is currently being mined on the site. Parcel 17 potentially has a highest and best use of mineral extraction. Parcel 18 also has part of the quarry on the site and may also have potential for a mineral extraction highest and best use. If mineral extraction is supported as the highest and best use of portions of the property, a discounted cash flow analysis will be necessary in the valuation. Portions of the property with a mineral extraction highest and best use have the potential to be an order of magnitude more valuable on a per-acre basis than base land values in the area. Outside of the 200 acre +/- area with a potential for mineral extraction, the balance of the 980 acres of federal property selected for exchange are likely to have a highest and best use of industrial use and/or mine support land. In past cases throughout the region,

33 - Exhibit 01 - Continued

mine support land prices have tended to track reasonably close to double undeveloped land prices in the respective area.

Equalization Plan Analysis

The proposed exchange has been configured for equalization with the non-federal 640-acre tract remaining constant. Equalization occurs on the federal side of the exchange by reducing the size of the federal parcel from 980 acres incrementally to 566.45 acres. While placing all of the flexibility on one side of an exchange can be successful, it may not be in this case. Parcel 17 includes the quarry and overburden areas which have potential for a mineral extraction highest and best use. Parcel 18 shares in this characteristic along its northern edge and is the nearest tract to the plant and may have an industrial highest and best use. While the equalization plan includes flexibility, the highest intensity use lands (and likely highest value) are retained as the minimum parcels necessary on the federal side which would likely exceed the value of the non-federal parcel.

Feasibility Conclusion

Based on the information provided and available, it appears at this time that this proposed land exchange is **not structured** with enough flexibility to accommodate the 25% of Federal value equalization restriction contained in 36 CFR 254.12(b).

Due to disparity in potential highest and best uses between the federal and non-federal side of the exchange, there does not appear to be sufficient non-federal land to balance the minimum federal parcel of 566.45 acres necessary to proceed with the exchange. The Forest is advised to consider suggesting that either a smaller federal parcel be reserved as the minimum necessary to continue with the exchange or that the non-federal party acquire additional lands to contribute to the non-federal side of the exchange. A combination of these two approaches would offer the best opportunity for successfully completing an exchange that complies with the 25% equalization limit of 36 CFR 254.12(b). Perfecting legal access to the non-federal subject is also advisable, as there may be market resistance to a parcel lacking legal access (and resulting value impact).

This report is for internal USDA Forest Service use only. The client and intended user of this Report is the USDA Forest Service. This pre-decisional document is not to be distributed to the proponents of the land exchange; however, the results can be conveyed to the proponent. Please contact me at (505) 555-5555 if you have questions.

David McInnis, RPRA
Regional Appraiser, Southwestern Region
New Mexico Certified General Appraiser #02669-G

33 - Exhibit 02
Land Exchange Valuation Consultation

File Code: 5430/5410

Date: December 5, 2020

Route To: Realty Specialist, Black Hills National Forest, Rocky Mountain Region

Subject: Little Britches Land Exchange Valuation Consultation, Black Hills National Forest

To: Forest Supervisor, Black Hills National Forest, Rocky Mountain Region

PRE-DECISIONAL INTERNAL WORKING DOCUMENT – NOT FOR PUBLIC RELEASE

This is an assembled land exchange that involves (4) non-Federal and (4) Federal parcels. The non-Federal lands are owned and named as follows; Non-Profit Organization (95.35 & 142.25-acre parcels), Carter (41.32-acre parcel), and the Long Ranch (320-acre parcel). The total non-Federal lands involved are 598.92 acres, based on land description verifications by our Forest Surveyor. These are located in the same order as they are described; 10 miles west, 10 miles southeast, and 20 miles north of Custer, South Dakota. The Long Ranch property is only about 4 miles southeast of Hot Springs, South Dakota.

The Federal lands include a total of 630.83 and are scattered north to south from just north of Custer to around 8-9 miles southwest and south of Hot Springs, South Dakota. The Ruby Creek parcel is 110.83-acres, northwest of Custer a couple miles, and is a very appealing parcel, except for the bug killed timber. The Argyle is 440-acres and is eight miles northwest of Hot Springs. Buck Canyon is 40-acres and is southwest of Hot Springs by about eight air-miles. Green Canyon is 33.69-acres and is nine miles south of Hot Springs and is near the appealing Angostura Reservoir. All the Federal lands are surrounded by private lands, except the Argyle, which is bordered only on one side by other Federal land.

I consulted appropriate Forest land staff and real estate professionals (both brokers and appraisers) in the market area. I consulted with both county zoning and planning for Custer and Fall River Counties in South Dakota. Custer County has all the lands classified as agricultural use and do not have any special planning or zoning requirements. Fall River County does not have zoning, nor do they have staffed planning departments.

Since 2008, the market both nationally and regionally has certainly changed. The western portion of South Dakota has declined in value since November of 2008 when it seen its peak. Based on Multiple Listing Statistical data, the market has seen a larger rate of decreasing values in the year prior to this last one. This past year has recently shown signs of stabilization and even a slight uptick in sales volume and average sales prices. The past decrease was brought on by the national economy, reductions in staffing of the Ellsworth Air Force Base, and a noted decline in all types of construction. This regional economy is largely dependent on tourism dollars, which has been down.

33 - Exhibit 02 - Continued

My consultation does not include value opinions, only recommendations on a better configuration. Any recommendations or advice is based only on physical characteristics and my past knowledge of value related market factors in the area.

The purpose and intended use of this consultation is to comply with The Federal Land Exchange Facilitation Act of August 20, 1988 (FLEFA). None of the parcels are located in a designated management area as described in subchapter VI of Title 43 - Public Lands. By completing this consultation it provides professional advice by the assigned review appraiser. This document is intended to be used only by this agency to make sound business decisions to comply with policy. It is considered an internal and proprietary, business document.

The effective date of this consultation is December 5, 2020, which is the last date of my investigation and research. I did physically inspect all the parcels on November 6, 2020; except for Carter, Buck Canyon and Green Canyon. Because of snow I was unable to safely inspect these and utilized Google Earth. I utilized other mapping, aerial photography, land status, preliminary title, and the specialist reports provided for in the Request for Appraisal Services (RFAS) by the Forest. My client and intended users are only Forest Service qualified land staff. No other persons are considered an intended user of this document.

A. Description, Identification, and Estates Appraised

Federal Parcels

There are a total of 4 non-contiguous parcels involved in this exchange that total 630.83-acres. I reviewed the land status with the exact legal description for each of the parcels. For more exact boundary locations of each parcel, detailed mapping is in Pinyon (Box) @ \Box\R2 RO 5400 Landownership\5430Exchanges\LittleBritches LEX-BHNF.

The Ruby Creek parcel is 110.83-acres in a good location being close to a major road and has views of the Crazy Horse Monument-Mountain. It is reported to have legal access, but physically the road is only a primitive Jeep trail off of the Forest system road. There was no recorded legal easement document provided for crossing the Forest system road, nor the private lands crossing Ruby Creek. It has good topography and does have timber, but like I said earlier much of it is infested with Bark Beetle and starting to show dead trees. There are no known water sources on this parcel. There is an overhead power-line across the parcel by Black Hills Electric that will need draft easement language to be considered for valuation purposes.

The Argyle Parcel is 440-acres, is appealing in topography, and the entire northwest half was burned by a previous fire (Argyle #2). The timber is gone, and there are re-generated grasses, but no new trees. There are good timber stands on the very southeast 80-acres. There is electric and telephone nearby, but neither appear to cross this parcel. There appears to be evidence of natural springs in the southeastern corner of the property.

33 - Exhibit 02 - Continued

This parcel has Special Use Permit CEM326, signed 9/13/2012, and is for the Southern Black Hills Water System Project that expires 11/1/2022. This is for a 12" water pipeline to be located along the south side of Argyle road through this parcel that has not yet been constructed. There was evidence of this construction about two miles southeast and they will be moving through this parcel sometime in early 2014. This pipeline will require draft easement language to be considered for the actual appraisal instructions and for valuation purposes. Argyle Road has already been conveyed to Custer County by the Forest Supervisor and this easement document has already been provided.

The Buck Canyon Parcel is 40-acres, an isolated parcel, square in shape, and consists of mainly steep topography. It has good timber and natural springs. There are also no known utilities or physical access roads to this parcel. There certainly is no legal access, although it is located less than a 1/8th of a mile from a county road and it may be minimal effort to acquire an easement and utilize this parcel as a building site.

The Green Canyon Parcel is 33.69-acres, and an isolated parcel that is within only 1/8th of a mile from the Angostura Reservoir shoreline. It has physical access in a road through private land, but the only legal access would be along sections lines per South Dakota law. There are no utilities and vegetation comprises short grass, and shrubs. Views of the reservoir are good and although this parcel is less than 35-acres in size it would be a legal lot (grand-fathered) under South Dakota law and would be a nice building site for a seasonal recreational cabin use.

The underlying mineral estate that exists will be conveyed with all the Federal property involved. Minerals are not a major market factor right now, but new mineral discoveries keep cropping up and are becoming elements that may need greater consideration. There are no known water rights. There may be timber value and this may require further consultation with a timber specialist. The most noted with timber that could have value are the Ruby Creek and Argyle Parcels.

Non-Federal Parcels

There are 4 non-contiguous parcels in this ownership that total 598.92-acres. They are located around Custer and Hot Springs, South Dakota. Recent preliminary title reports with exact and matching legal descriptions were reviewed and exceptions or reservations considered for each of parcels proposed for exchange. For more exact boundary locations of each parcel, detailed mapping is in Pinyon (Box) @ \Box\R2 RO 5400 Landownership\5430Exchanges\LittleBritches LEX-BHNF.

Non-Profit Organization owns a total of 237.60-acres in two parcels that are separated by a witch's lane. The east parcel (95.35-acres) touches US Highway 18, but the west parcel's (142.25-acres) only access is physically by a Forest Service system road. The south parcel has an old grazing lease that was assigned to the Non-Profit Organization (NPO) and assigned all interest and liability for the new lessee's; J.D. and Marie Britches (Book 35, Misc. 644). The lease began May of 2007, is for ten years and is \$5 per year on just this 142 acre parcel.

33 - Exhibit 02 - Continued

If this lease is not extinguished prior to the date of the actual appraisal (inspection date), further instruction by the Forest will be needed for valuation purposes. Both parcels have appealing nearly level slopes and trees, except the northern most part that has a small hill that was burned by a previous fire. Many of the trees did not come back due to the fire's intensity. There are electric power lines and telephone through the parcel with easements. There are also access easements and a Forest Service Special Use Permit providing access to and traversing through both properties.

The Carter parcel is a square 41.32-acres, accessed by a Forest System Road (FSR) physically, and an access easement recorded November 15, 2003, Book 39 of Misc., Page 699. A copy of this document will need to be provided with any future appraisal request. It appears based on the preliminary title that the minerals may have been reserved in the past. Any such documents need provided in the future appraisal request in order to identify the exact mineral estate with this property. This parcel has moderate topography and trees. It does not have any utilities, but may have natural springs in a small drainage.

The Long Ranch parcel is about a half mile off a county road through a primitive two track that ended short of this 320-acre parcel. There may be better physical road access from the west, but this was not investigated. There are no known legal easements to this parcel. It appears based on the preliminary title that the minerals may be reserved. Any such documents need provided in the future appraisal request in order to identify the exact mineral estate with this property. This parcel has moderate to mostly steep topography and heavy timber. It does not have any utilities, but may have natural springs in a couple of drainages-draws. There is an electric overhead power-line next to the east boundary of the parcel.

The underlying mineral estate that exists will be conveyed with all the non-Federal property involved. Minerals are not a major market factor right now, but new discoveries are creating greater interests and greater consideration in future appraisals. The exact mineral estate could not be defined for the Carter and Long Ranch parcels. The proper documents will be needed to clearly identify the exact mineral estate before appraisal instructions can be issued. There are no known water rights. There may be timber value and this subject may require further consultation. The most noted parcels with timber from my inspection that could have value are the NPO and Long Ranch parcels.

B. Scope of Work

My scope of work did not include a physical inspection of all the property involved. I did not physically inspect the Carter, Buck or Green Canyon parcels. A physical inspection of the smaller parcels would not have led to a different report conclusion. I reviewed aerial photography, mapping, land status, certificates of possession, biological assessments, and specialist reports. I also reviewed recent preliminary title commitments by First American Title of Rapid City, South Dakota for all the non-Federal parcels.

33 - Exhibit 02 - Continued

Accompanying me on the inspection of the rest of the parcels was a FS Qualified Review Appraiser. The Realty Specialist accompanied us on the Ruby and the NPO parcels.

The scope of work identifies the problem to be solved, determines the work necessary to develop a credible assignment result for the client, and discloses the scope of work performed. The problem to be solved in this consulting assignment is determining if the present configuration is reasonable and in accordance with policy. This may or may not involve recommendations by the appraiser to drop or add lands from one or more of the ownerships within the exchange.

The work necessary to adequately develop a credible consultation is research from the market. Talking to the right people and obtaining adequate data to make good decisions is essential. Obtaining information from county planning and zoning officials is part of the process. Understanding county rules for zoning, improving access, development, or the construction of improvements on land is researched.

Making contacts with local realtors and appraisers familiar with the area to gain an understanding of market factors that drive purchase decisions are important. These are not all-inclusive but include access, water, available utilities, topography, and trees.

C. Assumptions and Limiting Conditions

This valuation consultation is subject to change with physical, legal or market changes over time.

I assume that all the information that is provided and relied upon in the request for these services is true and correct. If there is any change in the estates being exchanged this consultation is no longer valid.

I assume no responsibility for legal matters affecting title to the property. Title to both Federal and non-Federal property is assumed to be good and marketable.

I assume legal descriptions and associated acres are correctly mapped. Plats, status and maps that describe legal boundaries and depict locations are assumed to be correct.

The appraiser reserves the right to alter statements, opinions, recommendations or conclusions, if it becomes known to the undersigned, facts pertinent to this consultation that were not known at the time of this report preparation.

33 - Exhibit 02 - Continued

D. Opinions and Reasoning

I have completed several consultations, appraisals, and appraisal reviews in this market area for the subject parcels. This experience was useful in completing this consultation.

Overall, the Federal ownership may end up having more value in this exchange because the majority of these lands (nearly 87% of total) have better legal and physical access.

The smaller parcels, (Buck and Green Canyon) may have greater unit values as well because these may have highest and best uses as future cabin sites.

On the non-Federal ownership, the NPO parcels will have the highest unit value because of appealing topography, location and proximity to US Highway 16.

Obviously, one of the things needed for a successful exchange is one or more mechanisms to equalize in the event the Federal values fall short. In this case I do not believe that any additional Federal lands are needed. Nor do I believe that any of the existing Federal lands need designated as optional parcels.

There could be timber value components involved with both ownerships. Most notably from my physical inspection were the Ruby and Argyle on the Federal side and the Long Ranch and NPO parcels on the non-Federal side. However; I believe the overall value of the timber, if any does exist will balance. Nevertheless, timber value, if it exists, needs to be captured in the appraisals. The fact that the Long Ranch parcel may not have physical or legal access to harvest timber is one issue. In speaking with a private timber expert, the Federal Argyle parcel has an economically viable stand of healthy timber. Another factor is the health and viability of the existing timber stand on the Federal Ruby Creek parcel. My best advice relating to the timber component is that I work closely with you and a good timber specialist to further investigate and determine merchantability before your submittal of the RFAS for appraisals. If the timber is determined merchantable at that time, then parcels identified on both sides of the ownership should be cruised based on local market standards. Then check cruises should be completed by one of our own qualified foresters before prior to your RFAS.

33 - Exhibit 02 - Continued

E. Recommendations

I do not recommend changing the present configuration.

The required items needed at this time to submit a future complete RFAS are:

- The RFAS states that there is legal access across Ruby Creek and through and an existing Forest System Road and primitive jeep trail (see attached map and black dashed line). The only recorded easement is for a small corner of private land just south of FSR 284.1 (see circled area on same map). The easement document across Ruby Creek needs to be provided, and road easement language for the FSR leading south off FSR 284.1, and the primitive jeep trail (if different) needs to be provided for a complete RFAS.
- The grazing lease on the south parcel of the lands owned by NPO needs extinguished prior to the date of the actual appraisal (inspection date) unless the Forest has received RLAT and the Regional Foresters approval to accept this encumbrance on the land when it comes into Federal ownership.
- The mineral estates for the Long Ranch and Carter non-Federal ownerships needs to be identified. The owners should be contacted and asked if they have had any past mineral title examinations for their lands. BLM and State websites can be researched for mineral status if the present owners do not have this information. I may be able to provide assistance, if needed.
- My only recommended grouping of the Federal land is for the Buck Canyon and Green Canyon Parcels. While these would be analyzed as a single ownership (Federal), I would instruct the appraiser to provide allocated unit values for each because of their different characteristics. I would do the same on the NPO ownership to treat both sides equal. As I understand it, NPO is trading their lands for the Buck Canyon and Green Canyon Federal Parcels. All remaining parcels would have their own appraised values per my instructions, the *Uniform Appraisal Standards for Federal Land Acquisitions*, and to comply with request and Agreement to Initiate for an assembled exchange. If the appraiser decides that each should be appraised individually and have their own value based on market evidence, then I will amend my appraisal instructions.
- The access easement document to the Carter property recorded November 15, 2003, Book 31 of Misc., Page 653, needs to be provided with future appraisal request.

33 - Exhibit 02 - Continued

- The 12" underground pipeline for the Southern Black Hills Water System Project that will run through the Argyle Federal Parcel, just south along Argyle Road will require draft easement language to be considered for the actual appraisal instructions and for valuation purposes. Depending on timing this may include another one for the construction easement and reclamation of vegetation as well.
- All specialist reports including minerals, hazardous materials and the like will need to be provided with the RFAS before proper appraisal instructions can be issued for the actual appraisals.
- Consult with the assigned appraiser again prior to preparation of the RFAS regarding the timber merchantability on each of the parcels.
- I assume all non-Federal lands being conveyed do not have special use permits for access that needed replaced with recorded easements so a non-Federal party may access other lands. If this is the case, these need to be identified and proper road easement language and instructions included in the RFAS.

E. Conclusion

This land exchange meets requirements in Section 206 of the Federal Land Exchange Facilitation Act of August 20, 1988 (FLEFA) that the difference in value (payment of land or cash) between the non-Federal lands and Federal lands must not exceed 25%.

F. Certification

I certify to the best of my knowledge and belief:

1. The statements of facts contained in this consulting report are true and correct.
2. The reported recommendations are limited only by the reported assumptions and limiting conditions, and are the personal unbiased opinions of the consultant.
3. I have no present or prospective interest in the subject of the report, and have no interest or bias with respect to the parties involved.
4. I have performed no services, either as an appraiser or in any other capacity, regarding the property that is subject of this report within the three year period immediately preceding acceptance of this assignment.
5. My compensation is not contingent on an action or an event resulting from the opinions, recommendations or conclusions in, or the use, of the consulting report.

33 - Exhibit 02 - Continued

6. My opinions, recommendations and conclusions were developed, and the report has been prepared, in conformity with the *Uniform Appraisal Standards for Federal Land Acquisitions*, and the *Uniform Standards of Professional Appraisal Practice*.
7. My opinions, recommendations and conclusions were developed, and the report has been prepared, in conformity with the Code of Professional Ethics and the Standards of Professional Practice of the American Society of Farm Managers and Rural Appraisers.
8. I have made a personal inspection of all the subject parcels except the Carter, Buck and Green Canyon parcels. On these parcels I did not physically inspect them but utilized detailed mapping, Google Earth, and provided title policies and land status.
9. No one has provided significant professional assistance to the person signing this consulting report.
10. OMB Bulletin No. 92-06, dated March 16, 1992, directs that Federal employees need only be licensed or certified in one State or territory to perform real estate duties as Federal employees in all States and territories.

If you have any questions please don't hesitate to call me at (555) 555-5555.

Respectfully Yours,



MARK SONDERBY, ARA
Senior Review Appraiser, R2
Wyoming Certified General RE Appraiser #52

cc: Regional Appraiser, Realty Specialist

**33 - Exhibit 03
Consultation**

File Code: 5410/5430

Date: January 30, 2020

Route To: Realty Specialist, Ozark-St. Francis NF

Subject: Consultation
Jacob Mills Land for Land Exchange

United States of America Property
Federal Tract O-6980
40.0 acres, more or less
Crawford County, Arkansas

Jacob Mills Property
Non-Federal Tract O-5890
40.0 acres, more or less
Crawford County, Arkansas

To: Forest Supervisor, Ozark-St. Francis National Forest

PART I - INTRODUCTION

Background

The Ozark-St. Francis National Forest in Arkansas recently requested valuation assistance via letter dated November 7, 2019 related to the development of a Feasibility Analysis for a land exchange proposal being considered on the Ozark National Forest.

The proposed land exchange consists of one non-Federal tract and one Federal tract. The official case name is the Jacob Mills Land for Land Exchange. The tracts consist of Non-Federal Tract O-6143 and Federal Tract O-6902. The proposed exchange is not considered to be an assembled land exchange.

Purpose of the Consultation

The purpose of this consultation is to determine if this proposed land for land exchange would meet the Federal Land Policy and Management Act of 1976 (FLPMA) requirements of equal value or that the exchange could be equalized with cash. This information will be used by the Forest in the Feasibility Analysis. FLPMA requires Federal land value and non-Federal land value to be equal or equalized by a cash payment not to exceed 25% of the value of the Federal property.

33 - Exhibit 03 - Continued

36 CFR 254.4(b) states *“To assess the feasibility of an exchange proposal, the prospective parties may agree to obtain a preliminary estimate of the values of the lands involved in the proposal. A qualified appraiser must prepare the preliminary estimate.”* This consultation is completed in compliance with 36 CFR 254.4(b).

Subsequent to any required oversight activity, a separate request related to the appraisal of the Federal and non-Federal properties associated with this proposed land for land exchange should be submitted to the assigned review appraiser.

Client and Intended Users

The client for this consultation is the USDA Forest Service. The intended user is the USDA Forest Service.

Scope of the Consultation

As the assigned review appraiser for this consultation, my analysis is based primarily on my review of the maps and documents included in the Valuation Consultation Request and recent market comparable sale data for the subject tracts provided by appraiser Joe Doakes of Doakes Appraisal Services.

I have not inspected the subject tracts or the comparable sales used in this analysis. Mr. Doakes inspected Non-Federal Tract O-6143, Federal Tract O-6902, and all of the comparable sales considered in the analysis in January 2020.

The Valuation Consultation Request contains specific information pertaining to the Federal and non-Federal tracts. Attached to the request is the title commitment for the non-Federal tract, Warranty Deed for the non-Federal tract, Warranty Deed for the Federal tract, Land Description Verification (LDV) forms for both the tracts, tract maps, draft Feasibility Analysis, and other realty reports. The Valuation Consultation Request (w/o attachments) is attached as Appendix A (Appendix not included in this example).

The market comparable sale data research was contracted for by the USDA Forest Service. The appraiser researched and collected comparable land sales for each of the two tracts. The appraiser provided a summary of his research that included a narrative description and photographs for each comparable sale. The market comparable sale data summary is attached as Appendix B (Appendix not included in this example).

33 - Exhibit 03 - Continued

Finally, based on information obtained from the abovementioned documents and research, I provide advice as to whether this proposed land for land exchange will meet the FLPMA requirements of equal value or if the exchange could be equalized with cash.

PART II – PROPERTY INFORMATION

Legal Descriptions

The Jacob Mills Land for Land Exchange consists of one non-Federal tract and one Federal tract. Non-Federal Tract O-6143 and Federal Tract O-6902 both contain 40.0 acres, more or less. The legal descriptions are as follows:

Non-Federal Tract O-6143: As per the Land Description Verification (LDV) dated July 15, 2019:

The Northwest Quarter of the Northwest Quarter (Nw1/4 NW1/4), of Section 23, Township 10 North, Range 31 West, 5th Principal Meridian, Crawford County, Arkansas. Containing 40 acres, more or less. Subject to any easements or rights of way of record.

Federal Tract O-6902: As per the Land Description Verification (LDV) dated July 2, 2019:

The southwest one quarter of the northeast one quarter (SW1/4 NE1/4) of Section 10, Township 10 North, Range 31 West, 5th Principal Meridian, Crawford County, Arkansas. Containing 40 acres, more or less. Subject to any easements or rights of way of record. This tract known to be part of tract B-411, filed in Crawford County deed record book 144 at page 19.

Federal Tract O-6902 has acquired land status.

Appendix C presents a map of the non-Federal and Federal tracts and the Land Description Verification Forms for the non-Federal land and Federal land (Appendix not included in this example).

Property Descriptions

Non-Federal Tract O-6143

Non-Federal Tract O-6143 lies in northwestern Crawford County within the Ozark National Forest. It lies approximately 12 air miles north of Van Buren, Arkansas. It contains 40.0 acres, more or less. It is bordered on the east, west, and south by Ozark National Forest land. The immediate neighborhood consists of scattered rural residences, recreational land, and timberland.

33 - Exhibit 03 - Continued

Tract O-6143 does not have legal or physical access. It has foot access from the south off from the Birchfield Road. It is wooded and has moderately sloping to steep terrain. It has 100% mineral rights.

Federal Tract O-6902

Federal Tract O-6902 lies in northwestern Crawford County within the Ozark National Forest. It lies approximately 12 air miles north of Van Buren, Arkansas. It contains 40.0 acres, more or less. It is surrounded by private land. The immediate neighborhood consists of scattered rural residences, recreational land, and timberland.

Tract O-6902 has access via a private gravel road off from State Highway 220. It is wooded and has level to moderately sloping terrain. It has 100% mineral rights.

In accordance with 36 CFR 254.9, the subject property is to be appraised “as if in private ownership and available for sale in the open market.” Additionally, Forest Service Appraisal Specifications for Real Property Appraisals require that “Federal lands must be appraised under the hypothetical condition that they are in non-Federal ownership and zoned consistent with similar non-Federal properties in the market area.” Therefore, Federal Tract O-6902 is analyzed under the aforementioned hypothetical conditions.

PART III – VALUATION ANALYSIS

Non-Federal Tract O-6143 Analysis

Non-Federal Tract O-6143 contains 40.0 acres and has no legal or physical access. It is wooded and has 100% minerals rights.

Table 1 presents the consultation analysis for Tract O-6143. The top of Table 1 shows the summary information for Tract O-6143. Below the summary information is information on four similar land sales provided by Mr. Doakes.

33 - Exhibit 03 - Continued

Table 1. Non-Federal Tract O-6143 – Consultation Analysis

Sale #	Book	Page	Date	County	Acres	Sale Price	Sale Price per Acre	Legal Access	Access Type	Mineral Rights	Remarks
Subject Property - Non-Federal Tract O-6143:											
Non-Federal Tract O-6143			1/31/20	Crawford	40.00			No	Foot Access	Yes	No Legal or Physical Access. 100% Mineral Rights.
Recent Land Sales:											
3	2018	7651	8/10/18	Crawford	80.00	\$81,400	\$1,018	No	Foot Access	No	No Legal or Physical Access. No Mineral Rights.
6	2019	2254	3/1/19	Crawford	40.12	\$52,000	\$1,296	Yes	Woods Private	No	Private ROW. Lee Creek Frontage. No Mineral Rights.
7	2019	5824	3/13/19	Crawford	40.00	\$45,450	\$1,136	No	Foot Access	Yes	Most Recent Sale of the Subject Property.
9	2019	18902	11/27/19	Crawford	35.00	\$35,000	\$1,000	No	Foot Access	No	No Legal or Physical Access. No Mineral Rights.
					Average: Sale Price	48.78	\$53,463	\$1,096			
					Range: Sale		\$35,000 to \$81,400				
					Price/Acre Range:		\$1,000 to \$1,296 per Acre				

The four sales range from 35.00 to 80.00 acres. Sale prices per acre range from \$1,000 to \$1,296 per acre. Therefore, based on the sales in Table 1, land parcels similar to Tract O-6143 are selling in the sale price range of \$1,000 to \$1,296 per acre.

Federal Tract O-6902 Analysis

Federal Tract O-6902 contains 40.0 acres and has access via a private gravel road. It wooded and has 100% mineral rights.

Table 2 presents the consultation analysis for Tract O-6902. The top of Table 2 shows the summary information for Tract O-6902. Below the summary information is information on four similar land sales provided by Mr. Doakes.

33 - Exhibit 03 - Continued

Table 2. Federal Tract O-6902 – Consultation Analysis

Sale #	Book	Page	Date	County	Acres	Sale Price	Sale Price per Acre	Legal Access	Access Type	Mineral Rights	Remarks
Subject Property - Federal Tract O-6902:											
Federal Tract O- 6902			1/31/20	Crawford	40.00			Unkn.	Gravel Private	Yes	In Sec. 13, T11N, R32W. Private Gravel Road Access. 100% Mineral Rights.
Recent Land Sales:											
1	2017	7344	6/8/17	Crawford	50.83	\$59,724	\$1,175	Yes	Gravel Public	No	Long Frontage on Independence Road. No Mineral Rights.
4	2018	1044	9/6/18	Crawford	57.82	\$64,000	\$1,107	Yes	Gravel Public	No	Short Frontage on County Road 27. No Mineral Rights.
6	2019	2254	3/1/19	Crawford	40.12	\$52,000	\$1,296	Yes	Woods Private	No	Private ROW. Lee Creek Frontage. No Mineral Rights.
8	2019	7404	10/16/19	Crawford	40.00	\$41,000	\$1,025	Yes	Gravel Public	No	Long Frontage on Creek Fork Road. No Mineral Rights.
Average: Sale Price						47.19	\$54,181	\$1,148			
Range: Sale							\$41,000 to \$64,000				
Price/Acre Range:							\$1,025 to \$1,296 per Acre				

The four sales range from 40.00 to 57.82 acres. Sale prices per acre range from \$1,025 to \$1,296 per acre. Therefore, based on the sales in Table 2, land parcels similar to Tract O-6902 are selling in the sale price range of \$1,025 to \$1,296 per acre.

33 - Exhibit 03 - Continued

PART IV – CONCLUSION

As previously mentioned, FLPMA requires Federal land value and non-Federal land value to be equal or equalized by a cash payment not to exceed 25% of the value of the Federal property. The proposed land exchange appears to be structured in a manner which could accommodate the FLPMA requirements given the reported sale price ranges.

In conclusion, it appears that the proposed land for land exchange would likely meet the FLPMA requirements of equal value or that the exchange could be equalized with cash. It would be advisable, if the land for land exchange moves forward with the signing of the ATI, that the appraisals of the Federal and non-Federal properties be done very early in the process to insure that the land for land exchange will meet FLPMA requirements.

Please contact me at such time that I can be of further assistance to you during the exchange process.

Respectfully,

A handwritten signature in black ink that reads "Ben S. Moore". The signature is written in a cursive, flowing style.

Ben S. Moore, ARA
Senior Review Appraiser – Southern Region R-8
NC State-Certified General Real Estate Appraiser #A6009