

NAU sponsored Lands Conference

OST/OAS-Land Buy Back Program Valuations



U.S. Department of the
Interior
Office of the Special Trustee
for American Indians
Office of Appraisal Services
November 29, 2016



Land Valuation



Land Valuation is the process that determines the fair market value of tracts where the Department of the Interior (DOI) will offer to buy fractional interests.



Land Valuation

- ❖ LBBP's need for a high volume of appraisals, within an accelerated timeframe and across various geographical regions of the country, required OAS make a strategic decision to incorporate the Mass Appraisal methodology and other streamlined valuation methods into its appraisal process.
- ❖ The OAS completes an appraisal of a fractionated tract by appraising the tract as if it were a single-owner fee status tract, and compares it to similar tracts that have recently sold in the area. Adjustments, based upon market conditions and physical characteristics, are made to account for differences between the tract being appraised and recent land sales



Land Valuation Planning

Sample: Reservations with 1000s of tracts

Agency Name	Parcel Count	Land Use	% of Total Acreage	TOTAL Parcel Acres
ROCKY MOUNTAIN				
Blackfeet (201)		Native Range	0.8600	752,869.03
<i>S Parcels:</i>	8,478	Dry Crop	0.0986	86,317.31
<i>B Parcels:</i>	1,639	Irrigated	0.0414	36,242.77
Total Parcel Count:	10,117		100%	875,429.11
Crow (202)		Native Range	0.7600	695,655.63
<i>S Parcels:</i>	8,804	Dry Crop	0.2134	195,332.78
<i>B Parcels:</i>	3,122	Irrigated Crop	0.0266	24,347.95
Total Parcel Count:	11,926		100%	915,336.36
GREAT PLAINS				
Standing Rock (302)		Native Range	0.9223	651,547.55
<i>S Parcels:</i>	1,528	Crop	0.0777	54,890.21
<i>B Parcels:</i>	3,456			
Total Parcel Count:	4,984		100%	706,437.76
Pine Ridge (344)				
<i>S Parcels:</i>	1,530	Native Range	0.9766	1,053,542.34
<i>B Parcels:</i>	6,365	Crop	0.0234	25,243.59
Total Parcel Count:	7,895		100%	1,078,785.93

Land Valuation

Planning – Scope of Work

Real Estate Appraisal Methodologies
August 5, 2013

- ❖ Mass Appraisal- similar and non-complex property type and a sufficient volume of land sales
- ❖ Project Appraisal- similar highest and best use of tracts and a similar sale data set can be analyzed
- ❖ Individual, Site Specific Appraisal- tract is complex, has unique physical characteristics and there is limited comparable sales data



Land Valuation Planning

Additional Considerations

- ❖ Developing and Implementing Information Systems
- ❖ Personnel – hiring qualified real estate appraisers and appraisal support staff
- ❖ Training
- ❖ Contracting
- ❖ Tribes and Federal Partners whose decisions and support affect the valuation process, i.e., BLM Cadastral Surveys, OVS-DME and BIA Forestry



Land Valuation Planning

RESERVATIONS	Region	Fractionated Tracts w/ Purchasable Interests	Purchase Estimate	OAS Report Type	OAS/Contract Tribe Completion Date	Mapping Completion Date	DME Completion Date	Offer Dates
Lummi Tribe of the Lummi Reservation, Washington (107)	Northwest	343	\$ 3,360,586	Individual	9/1/2015		8/10/15	11/9 to 12/28/15
Umatilla, Confederated Tribes of Reservation, Oregon (143)	Northwest	1,015	\$ 12,113,252	Individual	10/23/2015		9/18/15	11/23 to 1/7/16
Cabazon Band of Mission Indians, California (568)	Pacific	9	\$ 80,742	Individual	12/15/2015		8/19/15	12/28/15 to 2/15/16
Makah Indian Tribe of the Makah Indian Reservation, Washington (108)	Northwest	257	\$ 2,524,111	Individual	1/30/2016		12/17/15	2/22 to 4/71/16
Fond du Lac Band - Minnesota Chippewa	Midwest	351	\$ 7,837,753	Project	2/15/2016		12/21/15	3/7 to 4/25/16
Round Valley Indian Tribes of the Round Valley Reservation, California (540)	Pacific	185	\$ 2,456,371	Project or Individual	3/5/2016		1/30/16	3/28 to 5/23
Quinault Tribe of the Quinault Reservation, Washington (117)	Northwest	1,422	\$ 19,263,655	MA	3/14/2016			6/27 to 8/15/16



Valuation Phase

Types of Appraisals

1. Mass Appraisal

Definition:

The process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for statistical testing.

Advantages:

- ✓ Speed
- ✓ Low Unit Cost
- ✓ Testable results



Critical Components of Mass Appraisals

- ❖ GIS – Geographic Information System
- ❖ Robust Database Management Capabilities
- ❖ Effective Valuation Models meeting national standards
- ❖ OASIS – Appraisal request generation and Information System for OAS

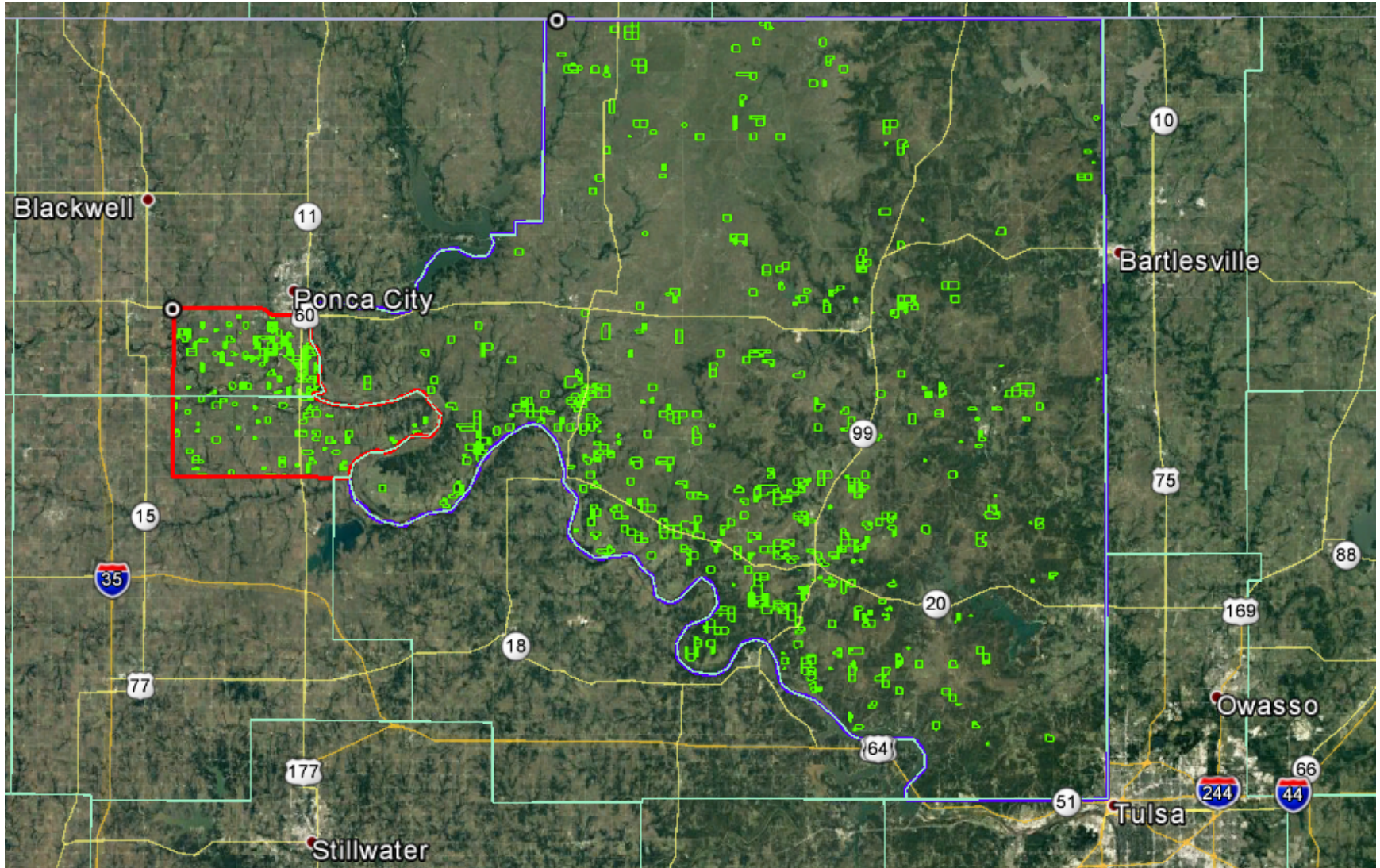


Steps in Mass Appraisal Modeling

- ❖ Data Assembly
- ❖ Exploratory Data Analysis
- ❖ Base Mass Appraisal Model Development
- ❖ Full Model is completed
- ❖ Sales Ratio Testing
- ❖ Model Refinement
- ❖ Final Mass Appraisal Model



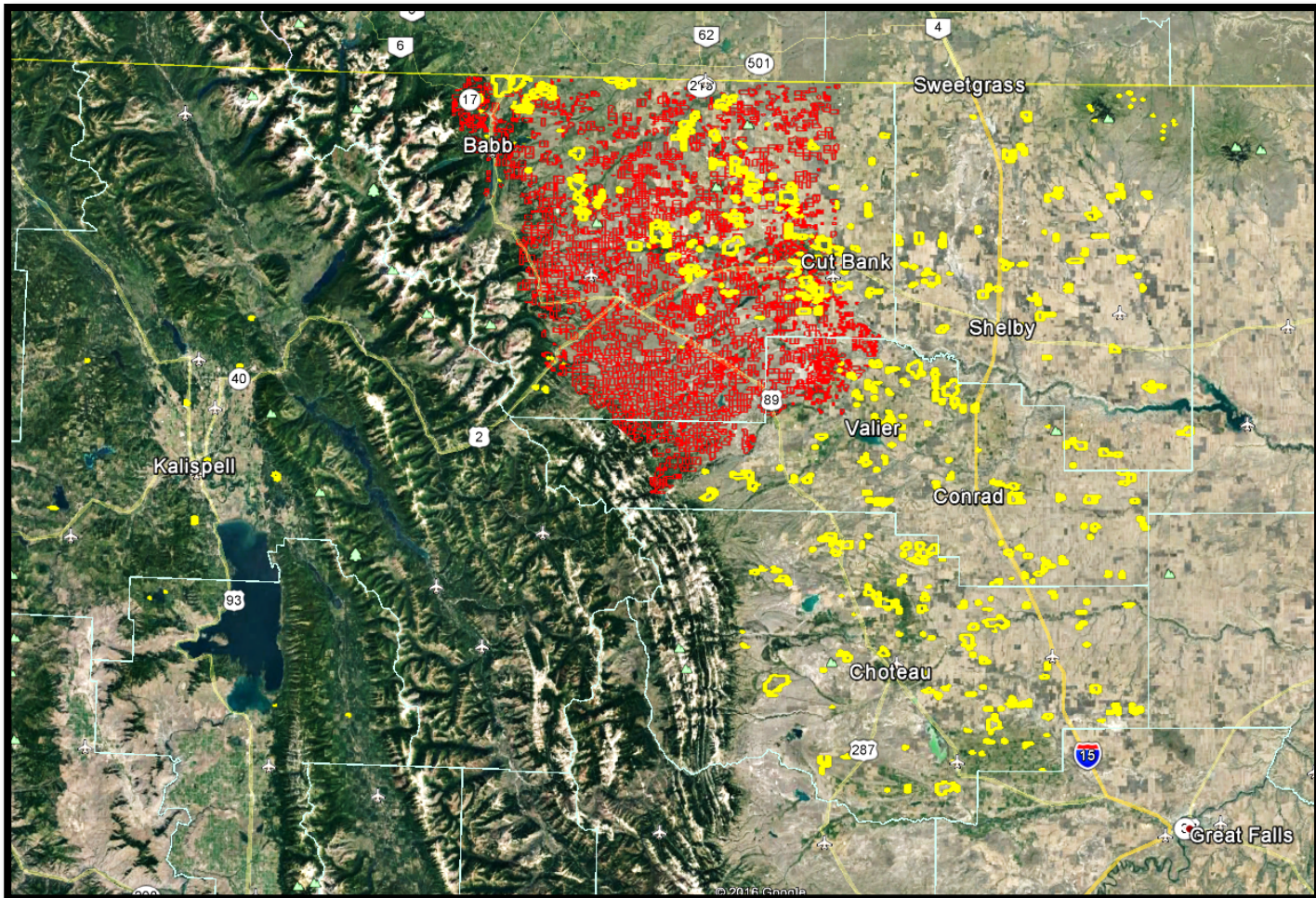
GIS for Mass Appraisal- Osage and Ponca



GIS for Mass Appraisal- Blackfeet

Red =
Appraised
Tracts

Yellow =
Comparable
Sales



Valuation Phase

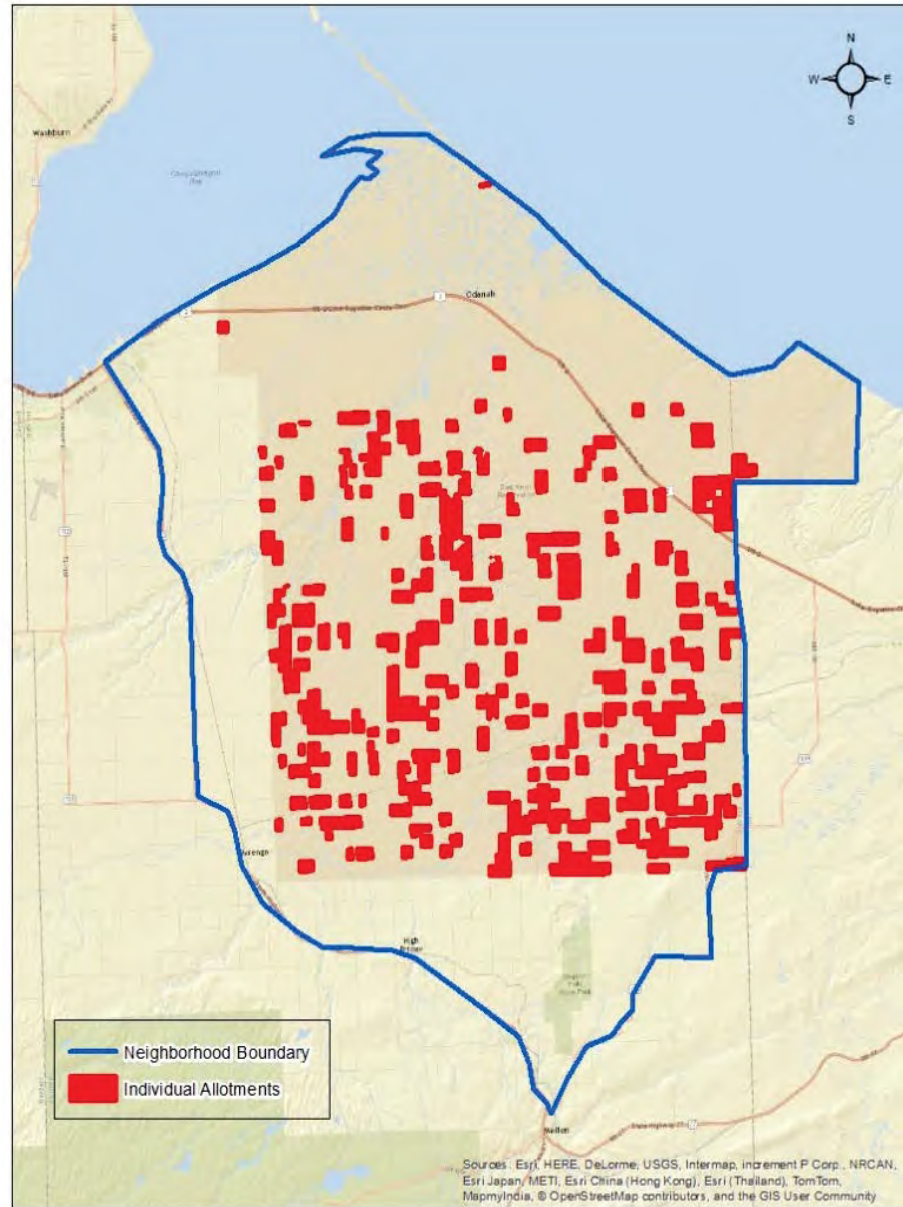
Types of Appraisals

2. Project Appraisal

- ❖ A multi-parcel appraisal that include the appraisal analysis of more than one tract that is documented in a single report.
- ❖ The most relevant Approach to Value (Cost, Income or Sales Comparison) is applied to all parcels and the report format follows the requirements under the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), Section 17-D.



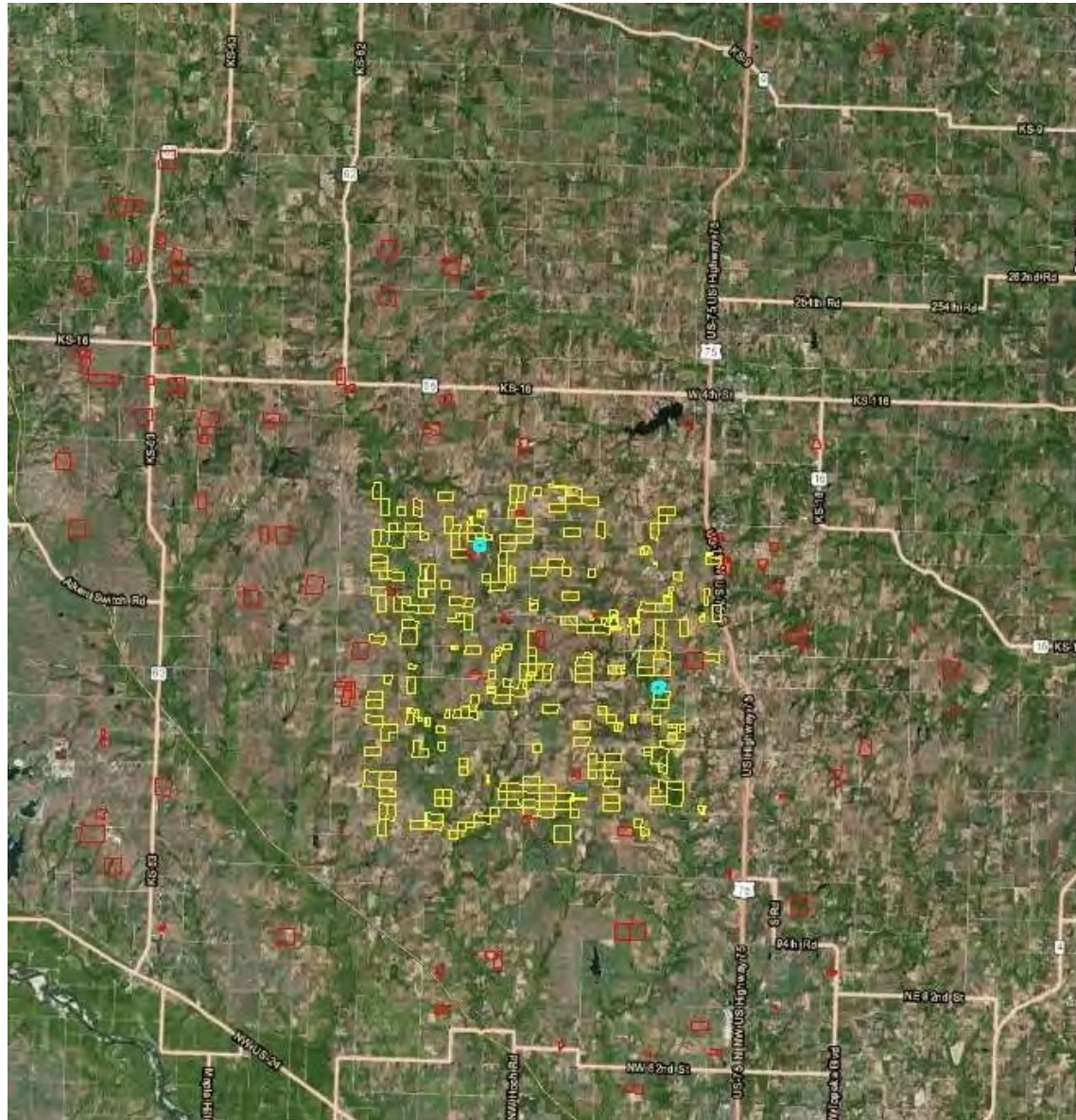
GIS for Project Report- Bad River



Bad River Indian Reservation
Land Buy-Back Program
Created by: Charles W. Rex IV, MAI
Created on: March 18, 2016



GIS for Project Report- Prairie Band Potawatomi Nation



Valuation Phase

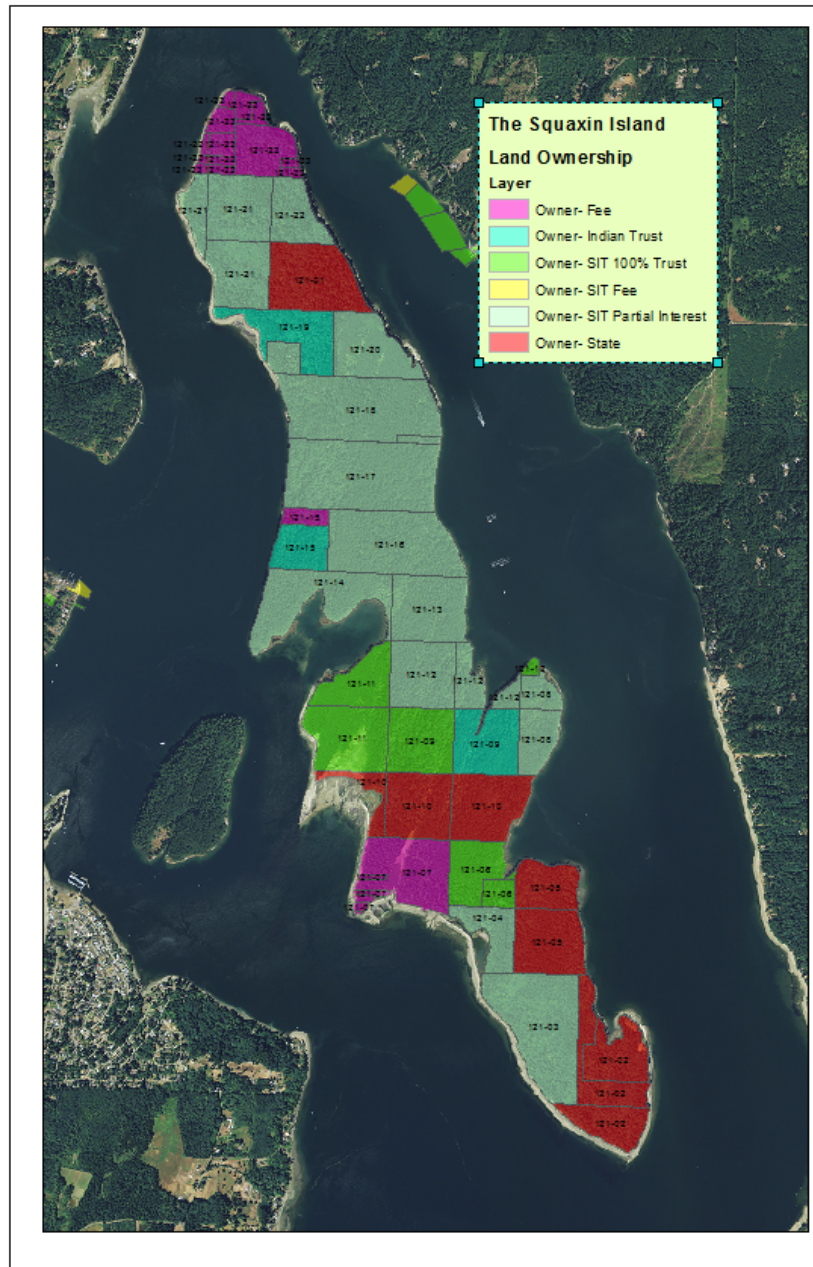
Types of Appraisals

3. Individual, Site Specific Appraisals

- ❖ Individual Appraisals are for a single tract
 - Individual or site-specific appraisals may be used on tracts that are difficult to value simultaneously with tracts amenable to mass appraisal without diminishing the efficiency and cost-effectiveness of the appraisal process.
- ❖ Benefits:
 - Tracts with potential economic value in minerals or timber can be left out of the mass appraisal and appraised individually
 - Certain tracts may not be amenable to mass appraisal valuation techniques, such as those located in commercial areas or urbanized zones where greater variation and value may exist



GIS –Individual Site Specific- Squaxin Island



Individual Site Specific- Cabazon



Appraisal Types and Cost Efficiency

Mass appraisal

Many Properties

Analyze 3-5 years of sales

Virtual inspection- thousands

5 to 7 months to be complete a model

Statistical testing of
results required

Low cost per appraisal
report
(non-complex/homogeneous)

Individual appraisal

One property

Analyze 3-5 years of sales; however, the analysis
may be limited to most current sales (3-6 months)

On-site inspection of the one property

2-3 days turnaround*

Typically qualitative analysis. May use statistical
testing

Higher cost per appraisal report
(unique and/or complex)



Different Appraisal Approaches Used to Determine Value?

- ❖ The SALES COMPARISON APPROACH is based on similar properties in the vicinity that have sold recently.
- ❖ The COST APPROACH is based on the cost to replace or reproduce an existing improvement(s) on the property (i.e. rebuild) after deducting for accrued depreciation and adding land value.
- ❖ The INCOME APPROACH is based on the net income the property generates, which converted to market value by a market derived capitalization rate or the Net Present Value estimate of the income stream.



How Property is Appraised

The COST APPROACH is based on the cost to replace or reproduce the existing improvement (i.e., rebuild) after deducting for accrued depreciation and adding land value.



How Property is Appraised

The INCOME APPROACH is based on the income the property generates, capitalized or NPV estimate to determine its market value.



How Property is Appraised

The SALES COMPARISON APPROACH is based on a direct comparison of similar properties in the vicinity that have sold recently.



Use of Appraisals

❖ Purpose of the Appraisal-

- For land purchase transaction by USDOl
 - Only valuing surface rights
- Not applicable for other types of transactions

Trespass Damage Estimates

Rights of Way

Leasing

Partitions

Loans/mortgages



Thank You.

***Mr. Eldred Lesansee
Director, OAS***

***Ms. Iris F. Crisman
Deputy Director, OAS/LBBPV
505.816.1127***

***Mr. Thomas Young
Project Manager
605.390.6158***