Understanding Appraisals and the Valuation Process in the Land Buy-Back Program

PURPOSE OF THE APPRAISAL: To make sure landowners are offered Fair Market Value (FMV) for their land interests. All appraisal methods used by the Department of the Interior are in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP).

Appraiser

An appraisal is the act or process of developing an opinion of value. Value estimates for the Land Buy-Back Program are performed by a licensed appraiser. A determination of value is developed and reported by the appraiser, and includes research covering many factors including:

- Location
- Local market prices and sales patterns
- Condition of the tract — access, electricity, leases, etc.
- Land use controls or restrictions
- The presence of timber/mineral resources, and
- Water and air resources are considered in determining FMV.

The appraiser compares recent local real estate sales to see how they align or differ from the tract and makes adjustments to compensate for those differences before reconciling a final opinion of value.

When there are commercial timber resources or mineral rights associated with the tract, AVSO-LBBPVD will conduct an appraisal to determine the FMV for each tract of land that meets the criteria for purchase by the Program. The value of timber and mineral estates will be incorporated. The value of specific fractional interests will be based on the interest’s proportion to the whole tract.

Land, Resource Valuation, and Appraisal Basics

Land Buy-Back Program for Tribal Nations

FAIR MARKET VALUE

Appraisal will be used to determine whether the tract is commercially viable or not. If the tract is not commercially viable, then it will be valued using the fair market value. If the tract is commercially viable, then it will be valued using the highest and best use of the land.

The appraiser will compare recent local real estate sales to see how they align or differ from the tract and make adjustments to compensate for those differences before reconciling a final opinion of value.

When there are commercial timber resources or mineral rights associated with the tract, AVSO-LBBPVD will conduct an appraisal to determine the FMV for each tract of land that meets the criteria for purchase by the Program. The value of timber and mineral estates will be incorporated. The value of specific fractional interests will be based on the interest’s proportion to the whole tract.

Fair Market Value Determined

AVSO-LBBPVD will value a tract as though it is not fractionated (single owner), is vacant, or restricted fee Indian lands.

Offers are not negotiable.

NOTE

- Landowners can always decide not to sell their interests.
- Additionally, individuals can sell some of their interests but keep others.
- Offers are not negotiable.

Appraisal and Valuation Services Office – Division of Minerals Evaluation (AVSO-DME)

Responsible for evaluating the possibility of mineral resources on tracts.

- Timber values determined
- Tracts with mineral values are identified and DO NOT receive offers

Resources Not Viable

- No further action necessary
- These timber values or mineral rights may have very small or no contributory value
- However “M” and “B” tracts with no current value are paid $7.50/acre to convey any mineral rights

Resources are Evaluated

- Timber values determined
- Tracts with mineral values are identified and DO NOT receive offers

BIA and Tribal Forestry

Responsible for providing timber cruises and timber resource valuations to AVSO-LBBPVD for tracts with commercially viable forests.

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Understanding Minerals and the Mineral Valuation Process

The Appraisal and Valuation Services Office - Division of Minerals Evaluation (AVSO-DME), within the Department of the Interior, will evaluate the existence of economically viable mineral deposits within each reservation. AVSO-DME’s professional geologists, mineral economists, and engineers extensively review the known geology of a location to determine if mineral deposits are known to exist, evaluate mining activity in the area of the tract, identify markets for known minerals, and determine whether extraction of the minerals can be completed cost effectively. Most tracts will not have mineral deposits with current economic value; where tracts are identified and associated with mineral deposits that may have current economic value, those tracts are typically set aside because further analysis would be required to determine the value of the minerals.

The AVSO-DME’s reservation/area-wide methodology:

- assembles minerals data from appropriate sources
- creates a digital/geographic information system (GIS) master template view of known mineral deposits
- allows simultaneous analysis (at the individual tract level) of numerous tracts
- allows each individual tract to be placed over the master template which helps to see where mineral deposits may occur in relation to the tract being valued (see Figure 1)

The analysis varies in length and complexity and will be as simple or as complex as the circumstances dictate, with the level of detail increasing as the potential for a viable mineral deposit increases. For each analysis, essential background research of the area is conducted to determine the geologic terrain involved, the permissibility of development, and the market situation. Depending upon this outcome, site-specific analysis may be conducted.

Common Definitions for Land Valuation

FAIR MARKET VALUATION (FMV) — A monetary value, stated as an opinion, as of a certain date, of what a property would sell for in an open and competitive market and what a ready, willing, and able buyer might pay for a property in the current market.

HIGHEST AND BEST USE — The most probable and legal use of vacant land or an improved property that is physically possible, financially possible and appropriately supportable from the market to yield the highest possible value.

MINERAL DECISION

- Please note that if there are no minerals present or if there are no profitable markets for the existing minerals, the rights associated with a tract may have very small or no contributory value.
- For situations where AVSO-DME determines there is no mineral deposit or economic value, an Administrative Payment of $7.50 per acre will be offered to landowners.
- The Administrative Payment is not based on the value of any minerals, but is instead intended as payment to compensate the owner for conveying their mineral rights.
- Tracts with current economic mineral value will not be included in the Offer Packet, because further analysis would be necessary to determine the value of the minerals.
- Surface and mineral estates on “B” (combined) tracts cannot be split during a Buy-Back transaction (landowner cannot sell surface rights and retain the mineral rights).

Resources

LAND BUY-BACK PROGRAM
Land Buy-Back Program for Tribal Nations
www.doi.gov/buybackprogram
Appraisal Methodologies
www.doi.gov/buybackprogram/appraisals
Frequently Asked Questions
www.doi.gov/buybackprogram/FAQ

Trust Beneficiary Call Center (TBCC)
1-888-678-6836
Hours of Operation: M-F 7:00 am - 6:00 pm
Sat. 8:00 am - Noon, Mountain Time
Fiduciary Trust Officer at your agency can be found at:
www.doi.gov/ost/fto/ftoRegions.cfm

COBELL SETTLEMENT INFORMATION
Indian Trust Settlement
P.O. Box 9577,
Dublin, OH 43017-4877
1-800-961-6109
info@IndianTrust.com

The Indian Land Tenure Foundation (ILTF) is a national, community-based organization focused on American Indian land recovery and management. ILTF’s primary aim is to ensure that all reservation and important off-reservation lands are owned and managed by Indian people and Indian nations.

As a community foundation, ILTF relies on funding from private foundations and donations from Indian nations, corporations and individuals to support its programming in Indian Country. Please consider making a donation to the Indian Land Tenure Foundation today.

To learn more about our work and programs and to make a donation, visit our website at: www.iltf.org.