

Reclamation Manual

Directives and Standards

Subject:	Real Property Appraisal
Purpose:	To provide information and set forth procedures that ensure compliance with authorities and regulations for real property appraisal. This Directive and Standard (D&S) will benefit the Bureau of Reclamation (Reclamation) and the Department of the Interior (Department) Appraisal and Valuation Services Office (AVSO) by identifying requirements for performing appraisal services.
Authority:	U.S. Constitution, Fifth Amendment; Reclamation Act of 1902 (Pub. L. 57-161; 32 Stat. 388); Omnibus Adjustment Act of 1926, § 46 (Pub. L. 69-284; 44 Stat. 636); The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Pub. L. 91-646; 84 Stat. 1894), as amended, and implemented by 49 CFR part 24 (Uniform Act); Reclamation Reform Act of 1982 (RRA) (Pub. L. 97-293, § 209(d); 96 Stat. 1261), as implemented by 43 CFR part 426; Financial Institutions Reform, Recovery, and Enforcement Act of 1989, § 1101 (Pub. L. 101-73); 43 CFR part 429; Office of Management and Budget (OMB) Circular A-25, User Charges; OMB Bulletin No. 92-06, March 16, 1992; Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), current edition; and Uniform Standards of Professional Appraisal Practice (USPAP), current edition.
Approving Official:	Director, Dam Safety and Infrastructure
Contact:	Asset Management Division (86-67200)

- 1. Introduction.**
This D&S establishes requirements for real property appraisals completed for all Reclamation-managed real property. Reclamation meets project, program, and core mission needs by determining the value of real property.
- 2. Applicability.**
This D&S applies to Reclamation staff and offices responsible for real property appraisal processes, including when seeking other appraisal services with AVSO.
- 3. Appraisals Prepared for Acquisitions.**
For land acquisitions, appraisals must be prepared by or through AVSO in compliance with the UASFLA, USPAP, this D&S, and applicable authorities, as they apply to the appraisal assignment, except as described in Paragraph 3.A.
 - A. Acquisition Appraisal Exceptions.**
Per 49 CFR 24.102(c)(2), a formal appraisal is not required if:

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- (1) the owner is donating the property and releases Reclamation from its obligation to appraise the property in writing; or
- (2) Reclamation determines that an appraisal is not necessary because the valuation problem is uncomplicated, has a fair market value that falls within the parameters of the CFR, and the use of a waiver valuation prepared by qualified Reclamation staff or contractors under the following conditions is appropriate:
 - (a) when the anticipated value is estimated to be \$15,000 or less, based on a review of available real estate data;
 - (b) when the anticipated value of the property is estimated to be \$35,000 or less (but more than \$15,000), based on a review of the available real estate data, and the property owner, after having been offered the option of having a formal appraisal, releases Reclamation from its obligation to appraise the property in writing; or
 - (c) when the anticipated value of the property is estimated to be \$50,000 or less (but more than \$35,000), based on a review of the available real estate data, the property owner releases Reclamation from its obligation to appraise the property in writing (after having been offered the option of having a formal appraisal), and Reclamation as the Federal funding agency has provided written approval as outlined in Paragraph 14.G.(1).

B. **Temporary Easements.**

Whenever possible, valuations of temporary easements are to be based on real estate market value for similar property and rights in the area. Temporary easements will be valued using either a formal appraisal or waiver valuation, as appropriate. The valuations of permanent rights and temporary easements, for a specific parcel or ownership, shall not be separated into different valuation reports to artificially fall below the waiver valuation threshold.

C. **Severance Damages and Donations.**

For properties where the area of acquisition is donated, which would normally make it an exception, and there is a requirement to establish a value for severance damage to the remainder property, an appraisal cannot be waived. The appraisal must also delineate between the value of the rights being donated and the value of any severance damage and/or cost to cure.

4. **Appraisals Prepared for Disposals.**

Where Reclamation has direct disposal authority, appraisals must be prepared by or through AVSO in compliance with USPAP, this D&S, and applicable authorities, as they apply to the appraisal assignment. However, tracts of land with a value of \$50,000 or less

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may be valued using a waiver valuation as described in Paragraph 3.A.(2). For disposals that require coordination with the General Services Administration (GSA), appraisals may be completed by or through GSA.

5. Appraisals Prepared for Exchanges.

For the exchange of land, formal appraisals must be prepared by or through AVSO in conformance with requirements applicable to appraisals for acquisitions and exchanges, except as provided below.

A. Tracts Less than \$50,000.

Properties to be either disposed or acquired by the United States with a value of \$50,000 or less may be valued using a waiver valuation as described in Paragraph 3.A.(2). If the other party participating in an exchange does not waive their right to a formal appraisal for tracts with an estimated value between \$15,000 and \$50,000, then both ownerships (United States and that of the other party) shall have a formal appraisal.

B. Relocation of Facilities.

For the relocation of facilities under Section 14 of the Reclamation Project Act of August 4, 1939 (53 Stat. 1187; 43 U.S.C. § 389), the Secretary is authorized to use exchanges or any other means necessary to achieve these relocations. While it is desired that Reclamation be the recipient of equal or greater land interests in such exchanges, Reclamation Manual (RM) D&S LND 06-01, *Land Acquisition*, addresses situations where it may be in the best interest of the United States to exchange under other circumstances.

6. Appraisals Prepared for Use Authorizations.

Appraisals prepared to establish use fees for uses authorized by Reclamation must be prepared by or through AVSO in compliance with UASFLA, USPAP, this D&S, and applicable authorities, as they apply to the appraisal assignment. However, when a use authorization has a basis of \$50,000 or less per year, then a waiver valuation may be completed as described in Paragraph 3.A.(2). At the discretion of the regional realty officer (RRO), where contracts include a provision for adjustments or cumulative value in excess of the basis established by a waiver valuation, the waiver valuation is to include the calculations to address annual or other periodic rents. Appraisals for use authorizations are subject to the provisions contained in 43 CFR part 429 and OMB Circular A-25. Use fees are separate and in addition to fees collected to recover Reclamation's administrative costs, including those associated with the development of the fee(s).

A. Use Fee Basis for Term Uses.

- (1) For uses authorized by Reclamation, use fees based on market rates for similar rights and uses as those being valued are desired. When such information is not available or would not represent the circumstances of the proposed use

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authorization, other methods that incorporate sound business practices will be applied to establish such use fees. Such other acceptable alternatives must also best represent the circumstances of the proposed use and include, but not be limited to, the use of established fee schedules from other government agencies, establishment of fee schedules based on available and applicable data, or a percentage of the market value of the parent parcel.

- (2) Use fees based on a percentage of market value will use a supported market-derived rate unless there is insufficient information to competently identify or support such a rate. When the potential use fees are relatively low and do not justify a significant investment of time, a safe rate will be applied. The source of the safe rate is to be identified and will reflect the general time frame of the use authorization. Examples of such sources are the sale of treasury bills, notes, and bonds.

B. Use Fee Inflation/Deflation for Term Uses.

When a use authorization is to be issued for multiple years, an appropriate inflator/deflator derived and supported by the market is to be applied when determining the use fee. The source of the inflator/deflator rate is to be identified and reflect the general time frame of the use authorization. When information to competently identify or support an inflator/deflator is unavailable, or when the potential use fees are relatively low and do not justify a significant investment of time, a safe rate will be applied.

C. Use Fee Discounting for Term Uses.

Use authorizations covering multiple years may be paid in a lump sum prior to the start of the authorized use when it is in the best interest of the United States. In such cases, application of a discount rate is appropriate. Such a rate will be derived and supported from the market. When there is insufficient information to competently identify or support such a rate, or when the potential use fees are relatively low and do not justify a significant investment of time, a safe rate is to be applied. The source of the safe rate is to be identified and will reflect the general time frame of the authorized use.

D. Use Fee Basis for Easement Rights.

The “before and after” method of valuation is not required when the government sells an easement interest (UASFLA, 2000, B-20, page 64). Reclamation is free to consider the value of the easement to the acquirer as well as impacts to the interests of the United States. Appraisals prepared for the sale of an easement interest shall consider any influences on existing or proposed projects; operations and maintenance (O&M); liability of the United States, irrigation district, or managing partner; the value of the remaining property; and the value of the property to which the easement would become appurtenant.

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E. Minimum Use Fees.

When appropriate, the RRO will, in conformance with sound business practices, establish minimum use fees to be charged for properties classified in each of the following three general categories: Commercial/Industrial, Residential, and Agricultural. The minimum fee shall be applied: (1) with an affirmative statement that based on past similar situations, an investigation for a market-based fee is unneeded, as it would result in a lower value; or (2) when an investigation supports a rate less than the minimum established.

7. Use of Alternative Methods of Valuation (AMV).

The use of AMV is expressly prohibited in appraisals unless authorized by Congress. AMVs are considered to be but are not limited to public interest value, contingent valuation, habitat equivalency analysis, biological value, and any similar derivation. Such alternative methods are most commonly associated with the acquisition of land for wildlife habitat use and water rights but may be associated with other appraisal assignments. Comparable transactions, which use an AMV as their basis, shall not be used unless the appraisal assignment includes the requirement for a similar AMV. When an AMV is used, it will follow the procedures established by AVSO.

8. Appraisals Prepared for RRA, Excess Land Sales.

Excess Land Appraisals prepared for all sales of excess land or land burdened by a deed covenant, as required by the RRA, must be prepared by or through AVSO in compliance with UASFLA and USPAP, as they apply to the appraisal assignment, and must comply with 43 CFR 426.13. It is a requirement that the appraised value must be based on the subject property without reference to the construction of the project irrigation works. This would be a hypothetical condition with the subject property appraised as if dry unless there are non-project water supply factors to be considered.

9. Appraisals Prepared for Water Right Acquisitions and Leases.

When Reclamation is acquiring or leasing water rights and the water rights are to be appraised and treated as real property, they will be appraised in compliance with the same requirements as those cited for acquisition appraisals in Paragraph 3. The basis of value for water rights being acquired or leased is market value. However, values may be established by waiver valuation under the same exceptions as found in Paragraph 3.A.

A. Appraising Established and Quantifiable Water Rights.

Detailed information regarding and supporting the validity of the water right is to be included in the appraisal. When available, Reclamation shall provide this information to the appraiser prior to appraisal. This does not relieve the appraiser of responsibility to provide this information in the report. Where water rights are unadjudicated claims, prior to requesting an appraisal of the water rights, due diligence is required to establish the extent, nature, and validity of the water right.

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B. **Comparable Information.**

Where comparable sales or leases are used in the appraisal, detailed information will be included in the report. The information obtained, reported, and considered includes but is not limited to the following for each of the comparable water rights transactions considered:

- (1) Names of the parties.
- (2) Price and terms.
- (3) At a minimum, a description of the water right must include the following elements: source, quantity, priority, point of diversion, place of use, purpose/nature of use, and season/period of use. Include sufficient details about the water right so that a reader/user of the report will understand the characteristics of the water right.
- (4) Copies of transferring documents.
- (5) Any additional information that may influence the value and comparability to the subject water right.

C. **Common Valuation Methods for Water Rights.**

(1) **Sales Comparison without Land.**

When water rights are severed from land and bought and sold in an open market in the area where the subject is located, such sales are to be the basis of the appraisal.

(2) **Sales Comparison with Land.**

When water rights are purchased in conjunction with land, their value is to be considered as they contribute to the value of the subject property. The value of the subject water right cannot exceed the contributory value when compared to similar rights in transactions.

(3) **Before and After Sales Comparison.**

Water rights and land are typically sold together. A common method to appraise the contributory value of water rights is the application of the sales comparison approach, comparing irrigated and non-irrigated land sales, known as the “before and after” method of valuation. Irrigated land sales with water rights are used to estimate the market value of the property in the “before” state, while dry land sales without water rights are used to estimate the market value in the “after” state. Additional analysis may be required to identify the contributory value of the irrigation delivery equipment and improvements in the “before” state to establish the contributory value of the water rights

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separate from such influences. This analysis is required if the subject water rights do not include similar considerations, or if equipment is retained by the seller. If equipment is retained by the seller, this must be identified prior to the appraisal assignment.

(4) **Income Capitalization.**

This method is addressed through the analysis of agricultural operating budgets. The effect on net income is considered the contribution of the water right. This method will be applied either through a detailed analysis of an agricultural operation or a “before and after” analysis. As water right sales and water leasing markets evolve, appraisals will investigate and analyze opportunities to apply income capitalization based on transactions involving water rights bought, sold, and used for leasing, as appropriate.

(5) **Development Cost (also Referred to as Least Cost or Replacement Cost).**

This methodology is based on the principle of substitution where the relative cost of obtaining replacement water from alternative sources is compared. The concept is that the “value” would be indicated by the least cost alternative for an operating water supply similar in legal and hydrological terms as the subject water right. However, a conclusion must include consideration that the value of the water right is also limited by the economic value of the beneficial use. (This methodology lends itself to application as a cost to cure in some “before and after” applications.)

D. **Appraisal of Water Right Leases.**

The appraised amount established for water right leases shall be based on recent comparable leases. When the water right to be leased is based on fallowing land, or when fallowing land is a reasonable substitute for obtaining a water right, the appraised amount shall not exceed the cost of leasing land including water rights. The appraised amount shall not be based on leases established by AMV unless the appraisal assignment includes the requirement for a similar AMV.

10. **Appraisal of Crops and Crop Damages.**

With some exceptions, the appraisal of growing crops and crop damages must comply with the same authorities as those cited for acquisition appraisals.

A. **Crop Valuations at the Time of Acquisition.**

(1) **Crop Valuations with Land Acquisitions other than Donations.**

Appraisals for cropland acquisitions will include the contributory value of any crops and avoid a summation or cumulative appraisal (for more detailed information, refer to UASFLA). When the current crop(s) is to remain in place until the end of the season and then be harvested via normal harvesting procedures, the appraiser shall be informed of such at the time of the

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assignment, and the appraiser shall take this into consideration by addressing this, as needed, as an assumption or hypothesis.

(2) **Crop Valuations with Donated Land.**

For donated land acquisitions where there is a requirement to establish a value for crops, the crop's contributory value will be determined, except when current crops are to remain in place until the end of the season to be harvested via normal harvesting procedures. A waiver valuation may be performed and the value computed using the methods identified for estimating damages when information identifying contributory value is unavailable, the value issue is uncomplicated, and the value considered is less than \$50,000. Consistency between the methods used to establish this value and those applied to establish values for acquisitions will be pursued. Unless a crop is donated, all acquisitions will have either a waiver valuation prepared as set forth in Paragraph 3.A.(2) or an appraisal completed by or through AVSO.

B. Crop Damage Valuation after Acquisitions.

In most instances, crop damages occur after acquisition and, therefore, are appraised and paid for separately. Crop damages are typically sustained by landowners and/or operators of land served or crossed by a Reclamation project with existing easements that do not prohibit surface operations on all or a portion of the easement. The damages may occur on easements when construction is delayed until a growing season subsequent to purchase or as a result of O&M activity. Reclamation will compensate for crop damages caused by Reclamation's non-tortious construction or O&M activities on transmission line and pipeline easements, irrespective of the method of acquisition of the easement. Depending on the circumstances, crop type, and stage of crop development, the extent of damage will vary. For damages valued at \$50,000 or less, a waiver valuation prepared in accordance with Paragraph 3.A.(2) may be completed. For damages in excess of \$50,000, an appraisal by or through AVSO shall be prepared, unless there is a donation and the owner signs a waiver releasing Reclamation from its obligation to appraise. The appraisal or valuation must be supported by any of the following methods, or any other acceptable method(s), to address crop damages:

- (1) the reimbursement of actual expenses based on information provided by the landowner or operator. In some instances, this will include consideration for profit and risk normal to the industry for the type of crop(s) involved;
- (2) crop budget for the crop(s) and location produced by an authoritative source;
- (3) an estimate of current value of the crop(s) based on:
 - (a) an estimate of the yield per acre that would be harvested if the crops were allowed to mature;

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- (b) an estimate of value of the crops as if they were mature on the date of acquisition or destruction; and
- (c) a deduction of all costs that the owner has not incurred in producing, cultivating, harvesting, and marketing the crops from the value of the crops; or
- (d) the value of the crop(s) for the area where the damage occurred, based on the actual or estimated production and unit prices of the crops for the remaining field, if available.

C. Damages to Multi-Year Crops.

When damages occur to multi-year crops (e.g., orchards, alfalfa, vineyards), the value of the plantings damaged or destroyed shall be based on the cost to establish a new stand of the same planting, the additional costs to bring the new stand into production, and the loss of net income until new production is at a comparable level to the existing crop stand, as is reasonable. Costs and net income losses projected for the years when the crops will not be at comparable production are to be included in detail and will be discounted to present value (as of the effective date of the appraisal).

D. Considerations for Crop Valuations.

Crop appraisals or valuations, for acquisition or damages, shall consider and support any influence on value for crop production loss, costs associated with settling and leveling, soil improvements, and crop reestablishment, depending on the circumstances, as is reasonable.

E. Crop Valuations and Condemnation.

For title being acquired by condemnation, all information regarding any crop damages shall be documented and forwarded to the appropriate Office of the United States Attorney.

11. Third-Party Appraisals.

The Department, acting through AVSO, is not obligated to review third-party appraisals unless they conform to AVSO requirements for submission. When third-party appraisals are contemplated, Reclamation staff will consult with AVSO prior to any approval for a third party to proceed with an appraisal. Reclamation and the party desiring a third-party appraisal must follow AVSO policy regarding third-party appraisals once the use is approved by AVSO.

12. Requesting Appraisal Services from AVSO.

When a request for appraisal service is placed, it is Reclamation's responsibility to see that the funding and information needed to move forward with the appraisal service process is

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available and ready. AVSO will assume that when a request is made for an appraisal service assignment, it is ready to be completed.

A. Data to be Provided for Most Appraisal Services.

Prior to requesting an appraisal assignment, the following items and data shall be considered for inclusion in an assignment request:

- (1) **Authorities.**
The authority for the acquisition, disposal, or use authorization along with the cost authority number to which all AVSO costs associated with the appraisal and appraisal review will be charged.
- (2) **Environmental Survey.**
When appropriate to the assignment, a current environmental survey for hazardous materials will be provided.
- (3) **Legal Description.**
A legal description including a size estimate of the property to be appraised and the parent parcel.
- (4) **Description of Estate.**
A detailed description of the estate(s) or interest(s) to be appraised.
- (5) **Property Rights.**
A description of the privileges, rights of property removal, rights of possession, and all other rights reserved by the property owner, the public, or third parties.
- (6) **Title.**
A title commitment, preliminary or report, including copies of appropriate transferring documents for non-federally and federally owned properties; and copies of documents that support the claim of or interest in the property rights being appraised.
- (7) **Map.**
A tract map showing the property to be appraised and any contiguous ownership of which it may be a part; and a location map showing the relative location of the subject property to cities, towns, or other significant features to aid in identifying its location.
- (8) **Use Authorizations.**
For properties owned by the United States, copies of any leases, easements, permits, or licenses on the subject property during the previous three years and

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any similar information, if available, for similar real property interests that may facilitate the appraisal assignment.

(9) **Copies of Draft Documents.**

For partial interest appraisals, copies of draft easements, leases, licenses, or permits including the rights to be granted or retained.

(10) **Structures.**

Identification of structures to be purchased, provided, replaced, or relocated by the government.

(11) **Salvage Value.**

As needed, a request to provide an estimate of the salvage value of specific improvements.

B. **Ordering an Appraisal Service.**

Appraisal service requests to AVSO are to be made through its electronic appraisal request system. For first-time users, the system provides a self-registration option when accessing this site. Follow the outline provided and complete all required boxes.

C. **Appraisal Reviews.**

Appraisal reviews are made by AVSO as part of an appraisal assignment but may be requested separately for third-party appraisals or as needed through AVSO's electronic appraisal request system. AVSO needs to provide a signed review report at the time copies of the appraisal reports are provided to Reclamation for records.

13. Appraisal Approvals and Just Compensation.

Once an appraisal for an acquisition is provided by AVSO, with its signed review report indicating the appraisal is acceptable for use, the appropriate Reclamation official will execute a document indicating the approved amount of just compensation.

14. Waiver Valuations.

When Reclamation determines that a formal appraisal is not needed because the valuation problem is uncomplicated and has a low fair market value less than \$50,000, as provided within this D&S, Reclamation may prepare a waiver valuation. The key to deciding whether a property may be valued using a waiver valuation, or if it would require a formal appraisal of the property, is not simply the dollar limit but also the complexity of the valuation issues.

A. **Complexity Determination.**

Reclamation staff must understand the complexity of a given valuation problem. Elements of the decision should include but are not limited to: any evidence to indicate that the property is likely to go to condemnation; any indication of potential

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influence, adverse or positive, on the value of the remainder that may require extensive or complicated analysis; the availability of information for a competent value conclusion; an unclear highest and best use for the property; and the skill level of the person performing the waiver valuation. Personnel with greater skill levels are able to address a greater array of situations than those with limited skill levels. Staff must make a reasonable determination, based on their skills and knowledge of the assignment, as to whether they are capable and qualified to perform the waiver valuation. In consultation with the RRO, it must be decided if they are to move forward with the waiver valuation, have other staff complete the waiver valuation, or submit a request for a formal appraisal.

B. **Minimum Qualifications.**

Prior to performing waiver valuations, Reclamation staff must meet the following minimum qualifications and receive delegation from AVSO in accordance with 212 DM 33(B)(2):

- (1) The following minimum qualifications are to be met by any person performing a waiver valuation for values up to \$15,000. Prior to performing waiver valuations, Reclamation staff shall have successfully completed at least 30 classroom hours addressing the fundamentals and concepts of appraisal, offered by a nationally recognized organization that provides training for appraisers; or in total or in part, by an equivalent number of hours, obtained through training offered by Federal agencies, which are directly related to the principles and performance of appraisals, establishing fees, or waiver valuations.
- (2) Reclamation staff performing waiver valuations from \$15,000 to \$50,000 shall have successfully completed a minimum of 60 classroom hours of appraisal training, offered by a nationally recognized organization that provides training for appraisers; or in total or in part, by an equivalent number of hours, obtained through training offered by Federal agencies, which are directly related to the principles and performance of appraisals, establishing fees, or waiver valuations.
- (3) Experience can be substituted for classroom training as determined by the RRO on a case-by-case basis.
- (4) Any person performing a waiver valuation must have sufficient understanding of the local real estate market to be qualified to make the waiver valuation.

C. **Request for Formal Appraisal.**

There is no prohibition to requesting a formal appraisal just because the value of the acquisition is expected to fall below an established value limit. Waiver valuations are

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intended to facilitate realty functions and transactions while reducing or minimizing associated costs when appropriate.

D. Property Owner Point of Contact.

When waiver valuations are prepared for acquisitions, the person preparing the waiver valuation will consider and determine whether the property owner or their designated representative will be given an opportunity to be present at the inspection. This is important as it may identify elements that can influence the value consideration or raise the level of complexity from a waiver valuation to a formal appraisal.

E. Reporting Standards for Waiver Valuations.

The following minimum reporting standards are required when preparing a waiver valuation report for Reclamation.

- (1) State the date of inspection (effective date) if an inspection is made.
- (2) Provide a legal description and size of the subject property.
- (3) Identify the purpose for the waiver valuation.
- (4) Describe the property.
- (5) State an opinion of highest and best use of the property.
- (6) Provide an explanation of how the value/fee was developed.
- (7) Provide an opinion of the final value/fee along with a brief explanation of the rationale or justification.
- (8) Date and sign the waiver valuation.
- (9) Provide a date and signature line for the approver.
- (10) A photo of the subject property is required for values over \$15,000 and less than \$50,000. Whenever possible, a photo of the subject property is to be included in the report for values up to \$15,000.

F. Record Keeping Standards for Waiver Valuations.

The following minimum standards are required for record-keeping for waiver valuation reports for Reclamation.

- (1) For waiver valuations up to \$15,000, the qualified Reclamation staff generating the waiver valuation must keep in their files, unless included with the waiver valuation report: (a) a list of sources where information was

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obtained, including contact information; (b) a summary of information obtained from each source; and (c) a summary of specific information used to arrive at the value.

- (2) For waiver valuations of more than \$15,000 but less than \$35,000, the qualified Reclamation staff generating the waiver valuation must, in addition to the information required in Paragraph 14.F.(1), keep in their files: (a) copies of any documents obtained, (b) any other information obtained and used to develop the value, and (c) a copy of the written waiver from the owner for a formal appraisal.
- (3) For waiver valuations of more than \$35,000 but less than \$50,000, the qualified Reclamation staff generating the waiver valuation must, in addition to the information required in Paragraphs 14.F.(1-2), keep in their files the written approval to use a waiver valuation as described in Paragraph 14.G.(1) and the close-out report described in Paragraph 14.G.(1)(b).

G. **Approval of Waiver Valuations.**

All waiver valuations will be approved by the RRO or by any person or persons who are designated by the RRO to act in their place to review waiver valuations.

- (1) For use of a waiver valuation of more than \$35,000 but less than \$50,000, a written request including the anticipated benefits of and reasons for raising the waiver valuation ceiling above \$35,000 will be submitted to the RRO. Approvals may only be requested on a project-by-project basis, meaning an action that includes several smaller tasks requiring valuations. The RRO will document their approval or denial in writing. Any approved requests will require the following:
 - (a) Written approval will be kept in the preparer's file for the waiver valuation;
 - (b) Within 6 months of completion of acquisition activities, a close-out report measuring cost/time benefits, condemnation rate, settlement rate, and any other relevant metric documenting both the administrative savings and accuracy and efficacy of the waiver valuations shall be completed in coordination with and signed by the RRO and kept in the preparer's file for the waiver valuation; and
- (2) The RRO will provide an annual summary of the number of waiver valuations approved, including the amounts, to the Asset Management Division or as requested.

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H. **Waiver Valuation Limits.**

If at any time the limits of \$15,000, \$35,000 and \$50,000, as outlined in this D&S, are amended or supplemented by statute, regulation, or policy, the new limits shall take effect as established and replace the limits identified herein.

15. **Conflict of Interest.**

- A. To comply with 49 CFR 24.102(n)(2), all waiver valuations will be approved in accordance with Paragraph 14.G., and all negotiators will be approved in writing by the RRO.
- B. An appraiser, review appraiser, or waiver valuation preparer may act as a negotiator for the acquisition of real property for which that person has performed an appraisal, appraisal review, or waiver valuation only if the initial offer to acquire the property is \$15,000 or less. For properties with initial offers greater than \$15,000 and up to \$35,000, the preparer may act as negotiator if the following conditions are met:
 - (1) the valuation is determined by appraisal prepared by or through AVSO in compliance with the UASFLA, USPAP, this D&S, and applicable authorities, as they apply to the appraisal assignment;
 - (2) the RRO has provided approval in writing; and
 - (3) all negotiations for amounts above the approved valuation are considered and approved in accordance with RM D&S LND 06-01, *Land Acquisition*.

16. **Activities Not Subject to LND 05-01.**

Reclamation continues to retain staff (economists, engineers, accountants, and other staff) who perform activities that involve data gathering, analysis, and use of the findings to complete Reclamation's missions. Such activities include but are not limited to socio-economic analysis; analysis for marketing of power and water; economic research, data gathering, and analysis related to agricultural, power, and/or water operations; estimates of book value for accounting purposes; general market research and analysis; and planning estimates and studies. These activities are not subject to this D&S.

17. **Definitions.**

A. **Acquisition.**

The procurement of land or an interest in land, which may include improvements or appurtenances, by Reclamation from a non-Federal entity by purchase, donation, exchange, or condemnation. Acquisition does not include purchase or lease of real property by another Federal agency, such as GSA.

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B. Appraisal.

A written statement independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by the presentation and analysis of relevant market information.

C. Market Value.

The amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of value, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property.

D. Use Fees.

Compensation due to Reclamation for the value of the use of land, facilities, or waterbodies under Reclamation's jurisdiction. The land use fee is generally the market value as determined by appraisal or some other appropriate method. Land use fees are considered "incidental revenues" and are distinct and separate from application and administrative costs.

E. Waiver Valuation.

The valuation process used and the product produced when the agency determines that an appraisal is not required, pursuant to 24.102(c)(2) appraisal waiver provisions (Uniform Act).

18. Review Period.

The originating office will review this release every four years.