



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).

Land Buy Back Program for Tribal Nations

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS
Exhibit A - Purchasable Interests Inventory (PII) **DETAIL**

Date: 02/22/2014
Page: 1 of 1
Offer Number: 100
Deed ID 345 4000000001

Grantor ID: 344U0000000
Grantor Name: DOE, JOHN

Item	Tract ID	Tract Name	Tract Acreage	Owner Interest	Interest Value	Scholarship ¹ Contribution	Tract Appraisal Date
1	345 M 0000	BEAR FOLLOWS	320.000	.0003819444	\$95.49	\$10.00	11/19/2013
	State County	Sec Twn Rng	Meridian	Legal Description	Resource		
	SD TODD	6 035.00N 031.00W	Sixth Principal	E	Minerals Only		
Item	Tract ID	Tract Name	Tract Acreage	Owner Interest	Interest Value	Scholarship ¹ Contribution	Tract Appraisal Date
2	345 0001	FAST RUNNER	320.000	.0023437500	\$468.75	\$10.00	11/19/2013
	State County	Sec Twn Rng	Meridian	Legal Description	Resource		
	SD TODD	9 036.00N 032.00W	Sixth Principal	W	Surface Only		
Item	Tract ID	Tract Name	Tract Acreage	Owner Interest	Interest Value	Scholarship ¹ Contribution	Tract Appraisal Date
3	345 0002	SALLY BLUE SHIELD	160.000	.0333333334	\$6,373.33	\$318.67	11/19/2013
	State County	Sec Twn Rng	Meridian	Legal Description	Resource		
	SD TRIPP	20 102.00N 078.00W	Fifth Principal	NE	Both (Mineral and Surface)		

APPRAISED VALUE

To determine the value of the entire allotment, divide your interest value by your fractional ownership interest (Example: \$95.49 divided by .000381944 equals approx. \$250,000).

"M" MINERAL TRACT
Mineral rights only (for example oil, gravel, coal)

"S" SURFACE TRACT
Surface rights only (land)

"B" COMBINED TRACT
Both mineral and surface rights

Are there mineral or timber resources?

BIA Forestry

Responsible for conducting timber cruises and providing timber resource valuations to OAS for tracts with commercially viable forests.

Division of Mineral Evaluations (DME)

Responsible for evaluating the possibility of mineral resources on tracts.

Are the resources accessible, culturally permissible, environmentally feasible, and economically viable?

NO

Resources Not Viable

- No further action necessary
- These mineral or timber 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

YES

Resources are Evaluated

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

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.

Office of Appraisal Services (OAS)

Responsible for appraising all tracts of land, including evaluating contributions from timber and mineral resource values. Staff appraisers evaluate the tracts, conduct a highest and best use analysis, and make a determination of the Fair Market Value (FMV) for tracts in the Land Buy-Back Program.

Fair Market Value Determined

Land, Resource Valuation, and Appraisal Basics

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 values 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 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 mineral and/or timber ownership rights associated with the tract, the OAS will consider them in the valuation process and reflect them in the FMV.

The Office of Appraisal Services will value a tract as though it is not fractionated (single owner), is vacant and in fee status.

Staff appraisers will also determine the highest and best use of the tract. The appraisal report will:

- Provide an opinion of the FMV
- FMV is valid for up to nine months from the date of valuation
- Appraisals will be used to prepare offers to purchase individual interests in various trust or restricted fee Indian lands

The Land Buy-Back Program will primarily use mass appraisal techniques. The breadth, scale, limited funding, and fixed life span of the Land Buy-Back Program necessitates use of mass appraisal methods where appropriate. Such use will result in greater consistency in valuation and provide an individual tract value based on its unique characteristics. OAS will use market studies, mass appraisals and other accepted techniques to appraise similar, non-complex, vacant lands where comparable land sales are available. In many highly fractionated Indian ownership areas, it is common to have agricultural properties that are similar in use and have active/consistent markets for comparable sales data. The Land Buy-Back Program will not use mass appraisals for commercial or other tracts within urbanized zones where greater variation may exist.

Understanding Minerals and the Mineral Valuation Process

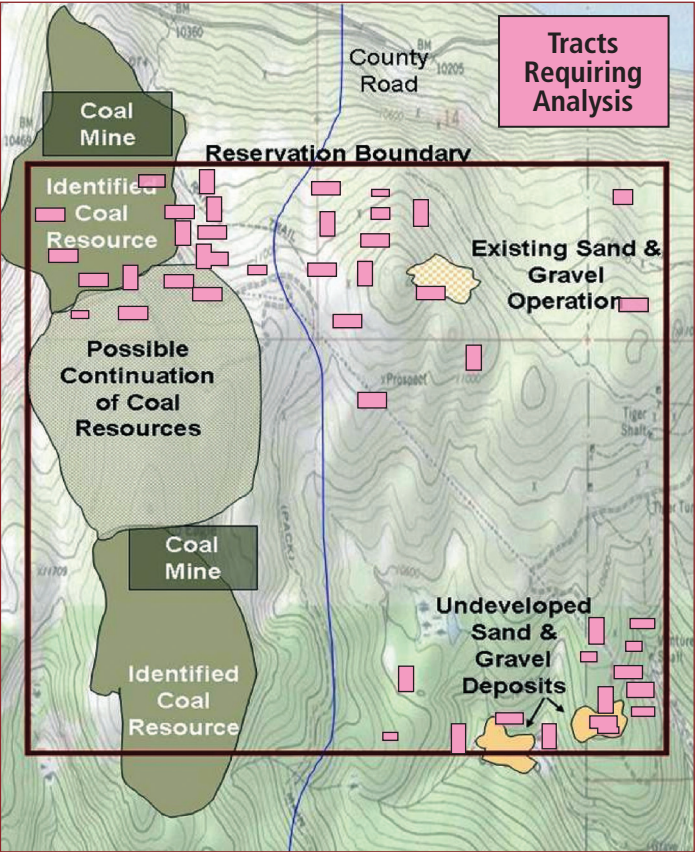


FIGURE 1. Hypothetical reservation-wide view of mineral deposits and the relationship to tracts requiring analysis.

The Division of Minerals Evaluation (DME), part of the Office of Valuation Services within the Department of the Interior, will evaluate the existence of economically viable mineral deposits within each reservation. 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 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 for development, and the market situation, etc. Depending upon this outcome, site specific analysis may be conducted.

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 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).**

Common Definitions for Land Valuation

FAIR MARKET VALUE (FMV) — A monetary value, stated as an opinion, 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. FMV will determine the amount that an owner will be paid for their interest in a fractionated tract.

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.

MASS APPRAISAL — The process used to value many properties that are similar in use (pasture, dry crop, rural residential, etc.) and have active/consistent markets or comparable sales data. The process uses common data, standardized methods and statistical testing and allows for greater efficiency and consistency in valuations. It provides an individual tract value based on the tract’s unique characteristics.

MINERAL DEPOSIT — Identifiable geologic occurrence of minerals of a size and concentration that may have potential for economic recovery, now or in the future. Typical minerals may include: oil; gas; coal; sand and gravel.

PROJECT APPRAISAL REPORT — A multiple tract appraisal report that includes the appraisal of more than one tract in a single report. The most relevant method of valuation is the same for all tracts and the report format follows the requirements under Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), Section 17-D.

SITE SPECIFIC APPRAISAL — An appraisal process that analyzes one tract at a time, based on the physical and economic characteristics of the subject property compared to similar properties.

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#1

COBELL SETTLEMENT INFORMATION

Indian Trust Settlement
P.O. Box 9577,
Dublin, OH 43017-4877
1-800-961-6109
www.cobellsettlement.com
www.indiantrust.com
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.



151 East County Road B2
Little Canada, MN 55117
651-766-8999
www.iltf.org



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