

GREEN ACRES PROGRAM



BLUE ACRES - APPRAISAL REQUIREMENTS

GENERAL REQUIREMENTS

INTRODUCTION

In an ongoing effort to reduce or eliminate risks to life and property in repeat flood damaged areas, the New Jersey Department of Environmental Protection (“NJ-DEP”) Green Acres Program (“Green Acres”) developed the Blue Acres Program¹ to assist property owners located in these areas through the potential acquisition of properties (including structures) from **willing** sellers. These properties have been identified as properties damaged by (or those that may be prone to incurring damage caused by) storms or storm-related flooding. In some cases, it may involve properties that may buffer or protect other lands from such damage.

Appraisals Reports prepared for Blue Acres acquisitions are required to be prepared in accordance with the appraisal requirements that follow. Any omission of required documentation may result in either the **rejection** of the report, or the return of the report to the appraiser for corrections and/or revisions. Prior to performing the appraisal(s), a meeting with the contracted appraiser(s) and a Green Acres review appraiser is **required** for all State-commissioned projects, unless there is a written waiver from the Green Acres appraisal section².

Appraisers hired by the State are required to be New Jersey State Certified General Real Estate Appraisers (“SCGRE”) currently active and in good standing and must be operating under the State’s current appraisal contract. Appraisers hired by property owners in any appeal process must be, at a minimum, New Jersey State Certified Residential Real Estate Appraisers (“SCRREA”). **Licensed appraisers are NOT acceptable.** Appraisers hired by the property owners must comply with the Blue Acres Appraisal Requirements unless otherwise specified. Any appraiser that has questions about the assignment or these requirements is encouraged to reach out to the NJDEP’s Green Acres appraisal section. **NOTE:** The Blue Acres Appraisal Appeal will be explained to the property owner by the Blue Acres administration. Should this option be exercised, the ensuing appraisal reports relating to the appeal must also conform to the Blue Acres Appraisal Requirements as outlined herein.

COMMENCEMENT OF ASSIGNMENT

When the bidding period closes, successful bidders will be notified of intent to award. However, the appraiser should not begin the work or contact the property owner until the appraiser receives the purchase order and Notification of Engagement from Green Acres, unless otherwise instructed in writing.

¹ Referred to as “Blue Acres” or “BA” in this and related documents

² On-site meetings between state-commissioned appraiser(s) and Green Acres appraisal staff will typically be in the form of a mandatory pre-project kick-off meeting. For homeowner-commissioned appraisers retained in the appeal process, this meeting between the appraiser and Blue Acres appraisal staff is not required; however, homeowner-commissioned appraisers must, at a minimum, be State Certified Residential Appraisers, and must follow the Blue Acres Scope of Work.

The Notification of Engagement and any additional written instructions must be included in the report Addendum.

NOTIFICATION OF PARTIES FOR APPRAISER'S SITE INSPECTION

The appraiser shall notify the property owner/representative ("owner") **via certified letter** that an appraisal for Blue Acres (or other client, if not BA) will be prepared. Due to time constraints, a phone call to the owner to set up the site inspection is acceptable, but a certified letter outlining the intent or documenting an agreed-to inspection still must be sent. If the property owner/representative is not reached, a Certified Letter on company letterhead must be mailed to the owner within 3 (three) business days and must contain specific notification of the subsequent inspection and include an invitation to attend. A copy of this letter must be included in the addendum. If the appraiser made attempts but is unable to contact the property owner, he/she must notify the Client prior to making the site inspection.

INSPECTION AND HOMEOWNER OUTREACH FORM

The complete inspection of the subject (both interior and exterior) must be performed by the contracted appraiser from the list of Green Acres approved appraisers (as noted above). The Blue Acres Homeowner Outreach Form will be included in the information package provided to the appraisers when contracted, and is also attached to the Blue Acres Appraisal Requirements found on the Green Acres website page 'Appraisals and Appraisers' (<https://www.nj.gov/dep/greenacres/appraisal.html>), or can be requested from the Green Acres Appraisal Section. This Form must be completed during the inspection and must be signed by the appraiser **and** the property owner. If the owner is unable to participate in the inspection, but provides a phone interview, this information (including the date and name of the person with whom the appraiser spoke) must be included on the Form. If the appraiser conducts an inspection without the property owner present, it must be noted on the Form why the owner was not present. *(Note- Appraisers hired for **appeals** by the State or by property owners are not required to complete the Form).*

NOTE: Due to the fact that these may be flood-damaged properties, some structures may have unrepaired damage, mold, or other factors that make them unsafe to enter. **DO NOT ENTER UNSAFE IMPROVEMENTS.** Please notify the Blue Acres Case/Project Manager, Contract Administrator, or the Appraisal Department of the unsafe condition. Under those circumstances, an exterior inspection will be conducted and, if **safely** possible, pictures taken through windows are requested.

APPRAISAL REPORT: PREPARATION/PRESENTATION/CONTENT

The appraisal report must be prepared in full accordance with these Requirements and the Uniform Standards of Professional Appraisal Practice ("USPAP") reporting requirements effective as of the report date. The appraisal report will utilize a general purpose form, printed on LEGAL paper (8½" x 14") which must be either:

- ACI: GPAR (General Purpose Appraisal Report)
- WinTotal: GP (General Purpose)
- ClickForms: NL-Residential

If a vacant lot is being appraised, a Land Appraisal form report complementary to those listed above is acceptable (such as "GP Land"). Also, for projects requiring a **current market rent** component, a 'Single Family Comparable Rent Schedule' will be required. **Any other forms must be approved by the Green Acres appraisal staff prior to proceeding.** Narrative reports will only be accepted with written approval and will need to meet the criteria of the Green Acres Appraisal Requirements unless otherwise approved in writing.

The minimum requirements that shall be provided in an Appraisal Report shall be as follows:

SECTION 1 – INTRODUCTION

A. TITLE/COVER PAGE³:

1. Blue Acres Offer Number (found on Notification of Engagement)
2. Name of property owner
3. Identification of subject property by address, municipality, county, state, zip code, and block(s)/lot(s)
4. Total acres and/or square feet of the subject site and improvements
5. Color photograph
6. Effective Date (pre-storm or current, as instructed)
7. Report Date
8. Identification of the appraiser (*name, address, NJ Certification #, phone, fax, and email*)

B. LETTER OF TRANSMITTAL

The Transmittal Letter shall include the BA project offer number, owner name, identification of the subject property, report date, effective date, the value conclusion, the appraiser's signature, and NJ SCGRE # (or NJ SCRREA # in the cases of owner-contracted appraisals).

C. TABLE OF CONTENTS

The Table of Contents must reference the Sections required in these Requirements and specifically identified pages for each Section, sequentially numbered starting with the Title Page. **All pages of the report shall be numbered, including the Addendum.**

D. STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

There shall not be any limitation to the appraiser's liability other than what is provided for by law. For example, the liability cannot be limited to the amount of the professional fee.

E. SIGNED CERTIFICATION

Signed and dated by the contract appraiser and any other appraisers signing the report. It must be in conformance with USPAP, NJ Appraisal Board Regulations.

F. SUMMARY OF SALIENT FACTS

SECTION 2 – PURPOSE OF THE APPRAISAL-PROBLEM IDENTIFICATION

The purpose of the appraisal report is to provide an opinion of market value for properties that have been damaged by, or may be prone to incurring damage caused by, storms or storm-related flooding, or that may buffer or protect other lands from such damage.

A. IDENTIFY THE CLIENT AND ALL OTHER INTENDED USERS OF THE REPORT

This must include the NJDEP-Blue Acres Program and Federal agencies by name, as applicable.

B. IDENTIFY THE INTENDED USE OF THE REPORT AND CONCLUSIONS

C. IDENTIFY THE TYPE AND DEFINITION OF VALUE, AND SOURCE

For Market Value, unless otherwise agreed to, the definition and source are as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and

³ Some GPAR forms will not accept all the requested Title/Cover Page requirements. Any information not able to be presented here must be included in the Transmittal Letter.

assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;*
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;*
- (3) A reasonable time is allowed for exposure in the open market;*
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

Source: *FDIC Law, Regulations, Related Acts-2000 Rules & Regulations; Part 323-Appraisals, Section 323.2 [amended at 57 Fed. Reg. 9049, March 16, 1992; 59 Fed. Reg. 29501, June 7, 1994]*

NOTE: *Please state only one definition of Market Value in each report, unless more than one is requested or applicable due to type of assignment.*

D. IDENTIFY THE EFFECTIVE DATE OF VALUE

The effective date of the appraisal, which is typically the pre-event or pre-storm date, will be identified in advance in writing as per in the bidding package, engagement package, and in the appraisal instructions from the Blue Acres Program. Current market value may be required if ownership of the property changed since the last flood or storm event.

E. IDENTIFY and DESCRIBE THE RIGHTS OR INTEREST(S) BEING ACQUIRED/APPRaised

- Estate (Fee Simple, Leased Fee, Deed-Restricted, Easement, etc.)
- Full acquisition
- Partial acquisition
- Life Estate
- Other

F. EXTRAORDINARY ASSUMPTIONS

Define and state any Extraordinary Assumptions utilized in the valuation.

NOTE: *Extraordinary Assumptions ARE NOT PERMITTED without specific written instructions from Blue Acres.*

G. HYPOTHETICAL CONDITIONS

Define and state any Hypothetical Conditions utilized in the appraisal

NOTE: *Hypothetical Conditions ARE NOT PERMITTED without specific written instructions from Blue Acres.*

NOTE: *Certain FEMA, HUD, and other grant programs may require valuations that include components beyond the traditional Blue Acres valuation purview. Blue Acres will clearly define these components as part of the engagement instructions, and the appraiser must agree to them in writing, in advance. This will avoid lengthy procedural debates and numerous revision requests.*

H. SCOPE OF WORK

The Scope of Work must detail the work and research supporting the conclusions of the **specific** appraisal assignment in compliance with the USPAP Scope of Work Rule effective as of the report date.

I. REPORTING OF THE CONDITION OF THE PROPERTY

The property's condition should be as it was as of the Effective Date of the appraisal. For the Pre-Storm effective dates, the appraisers must use their best efforts to ascertain the condition on the effective date including, but not limited to, the following:

1. Interviewing the owner, agent, or occupant;
2. Securing any photographs taken on or before the Effective Date (Any such photographs that may be available should be included in the appraisal report);
3. The municipal tax assessor's Property Record Card;
4. Documentation from the municipal construction/building department; and
5. Any other sources, including online sites/pictures (such as historical aerials).

SECTION 3 – DOCUMENTATION OF PROPERTY INSPECTION

A. THE INSPECTION

The subject property must be personally inspected by the approved appraiser contracted for the assignment. An interior inspection is required, unless the improvements are unsafe. If an interior inspection is not conducted, the reason **must** be included in the report, whether unsafe conditions or as instructed by Blue Acres.

B. INVITATION TO ACCOMPANY APPRAISER ON THE SITE INSPECTION

An invitation must be forwarded via certified letter to the property owner or representative agent prior to inspection. If the owner/agent has verbally declined accompanying the appraiser prior to sending a certified letter, the certified letter must still be sent confirming the conversation and including the date of intended inspection. Describe any issues with arranging the inspection in this section of the report.

C. INSPECTION INFORMATION

The inspection date must be reported along with the name/agency of all persons in attendance.

D. CERTIFIED LETTER

A copy of the certified letter must be included in Addendum with signed green certification card.

SECTION 4 – PROPERTY DESCRIPTION/SPECIFIC DATA (*as of the Effective Date*)

A. Legal Description – street address, municipality, county, block(s)/lot(s), zip code.

B. Site Description – zoning, wetlands, FEMA classification, frontage, lot area, physical characteristics, site improvements, etc.

C. Improvement description – age, style, condition, layout, Gross Living Area (“GLA”), interior/exterior description physical characteristics. **NOTE:** Improvements **MUST** be physically measured by the appraiser and building sketch(es) based on the measurement **MUST** be included in the report.

D. Property assessment as of the Effective Date; tax rate/tax load; assessment ratio/equalized value.

E. Sales History - must describe any transfers of property or title within the past five (5) years; if none, state none. Report and analyze any current agreement of sale, option, letter of intent, listing, contract, or lease. Also, describe the historical use of the property over the previous five years at a minimum, *and longer if relevant to value*. Any of the above-noted documents available **must be included in the Addendum**.

F. **NOTE- All subject properties are considered in a Flood Hazard Area due to the proximity of historic flooding. This factor MUST be considered and adjusted for.**

SECTION 5 – GENERAL DATA⁴ (*as of the Effective Date*)

Area, city, and neighborhood data - this information should be relevant, correlate to the effective date, and be used as the basis for comparable sales adjustments. **NOTE:** Any adjacent public or private uses such as parks, playgrounds, buildings, utilities, sewer plants, open space etc. which may affect value must be identified.

SECTION 6 – APPROACHES TO VALUE

The property rights to be appraised will be identified in the Letter of Engagement. Any exclusions of approaches to value, as stated in USPAP, must be strongly supported with solid reasoning. A Highest and Best Use conclusion must be developed and must be supported.

A. COST APPROACH

Given the nature of the residential properties and the general lack of comparable land sales in the Blue Acres target areas, generally, the Cost Approach will not be required. The development of the Cost Approach is at the appraiser's discretion.

B. SALES COMPARISON APPROACH

In the Sales Comparison Approach, the appraisal report must contain a direct comparison of relevant comparable sales to the subject and a statement describing the analysis and reasoning **supporting each item of adjustment**.

1. At least FIVE (5) pre-storm comparable sales shall be presented in the report. If five comparable sales are not available, **an explanation is required** (e.g., sources researched, the time frame searched, geographic areas searched, etc.). **All comparable sales MUST have PRE-STORM close dates unless approved by Blue Acres (or unless the report has a current effective date).**
2. Pertinent comparable sales data shall include flood zone and relevant information about the site and dwelling. The appraiser must verify the sale conditions, any special financing, and seller motivation such as duress, REO etc. In addition to deed and tax records, a verification source must include a party to the sale such as the selling or listing agent, attorney, buyer or seller. MLS data must be checked against recorded deed information. Acquisitions where Blue Acres/State of New Jersey is the buyer in the transaction can **NOT** be used. **NOTE:** Each comparable sale that is utilized **must** include the street address, municipality, and zip code.
3. Each sale must be field inspected by the appraiser.
4. Each sale will require a color photo taken by the appraiser. For pre-storm dates, MLS photos are acceptable as supportive exhibits, but the field current inspection photo must be presented.
5. There must be a narrative explanation with reasoning provided for each item of adjustment, and the basis for the adjustment where applicable. Market Data presented earlier in the report must support the adjustments.

C. INCOME APPROACH

For this approach, the appraisal report must contain a direct comparison of relevant comparable rentals to the subject and a statement describing the analysis and reasoning **supporting each item of adjustment**.

⁴ Regional, County, Municipal, and Neighborhood data sections are not solely to be cut and pasted data and must be analyzed. Recommended, credible data sources include the US Census Bureau (factfinder.census.gov), US Bureau of Labor Statistics and other government agencies; Realtors/MLS sources, etc. The analysis of this data must support subsequent selection of comparables and adjustments.

1. At least FIVE (5) pre-storm comparable rentals shall be presented in the report. If five comparable rentals are not available, **an explanation is required** (e.g. sources researched, the time frame; geographic areas searched, etc.). Current and relevant rental listings should be explained in detail and may also be included to support the required closed leases.
2. Pertinent comparable rental data shall include flood zone and relevant information about leased property. The appraiser must verify the rental conditions. **NOTE:** Each comparable rental that is utilized **must** include the street address, municipality, zip code.
3. Each rental must be field inspected by the appraiser.
4. Each rental will require a color photo taken by the appraiser. MLS photos are acceptable as supportive exhibits, but the field inspection photo must be presented.
5. There must be a narrative explanation with reasoning provided for each item of adjustment, and the basis for the adjustment where applicable. Market Data presented earlier in the report must support the adjustments.

D. CURRENT MARKET RENT (When Required, per the Appraisal Instructions)

For certain engagements, the appraisal report will require an estimate of Current Market Rent. As noted previously, this shall be presented on a **Single Family Comparable Rent Schedule**. A minimum three (3) current market rentals must be presented and analyzed. Color photographs taken by the appraiser in the field and a rental location map **must** be included in the exhibits. **NOTE:** *The Current Market Rent opinion is **NOT** necessary for the Second Appraisal or Property Owner commissioned appraisal in the Appeal Process.*

E. FINAL RECONCILIATION OF VALUE

When only the Sales Comparison Approach is utilized, the appraisal report shall discuss in some detail the process of considering and weighing each adjusted comparable sale. If more than one approach is utilized, the reconciliation must consider all approaches and account for differences and rationale for conclusion in the reconciliation explanation.

NOTE: Green Acres discourages averaging a group of sales to result in a value opinion. Green Acres also discourages giving equal weight to each sale unless the sales all had small net adjustments.

SECTION 7 – EXHIBITS/ADDENDUM

- A. The appraisal report shall include the following exhibits in the body of the report. The exhibits should be large enough to be legible. These shall be placed in the appropriate Report Section:
1. Tax Map – This must clearly identify the subject property’s block(s) and lot(s).
 2. Location Map – This must identify the subject property’s location, in relation to the county/regional area.
 3. Comparable Sales (or Rental) Location Map – This must identify the location of the subject and all of the comparable sales or rentals.
 4. Wetlands Map – This must clearly identify the subject property’s location on the map.
 5. Flood Map⁵ – This must clearly identify the subject property’s location on the map.
 6. Relevant section of the zoning map, with clear indication of the subject property and zoning classification on the map. This should be accompanied by narrative briefly describing the use regulations and bulk requirements for the subject’s zone.
 7. Subject property building sketch, prepared by the appraiser.

⁵ As noted previously, all subject properties are to be considered in a Flood Hazard Area - and adjusted for accordingly.

8. Subject and Comparable Sales/Rental Photographs (color), taken by the appraiser. MLS photos, especially in the case of retrospective, pre-storm dates may be included as supplemental visual aids but must not be used as replacement for photographs taken by the appraiser.
- B. The appraisal report shall also include in the Addendum to the report:
1. Complete Notification of Engagement and any additional written instructions.
 2. Certified letter sent to property owners with proof of certification (signed green card).
 3. All deed(s) for any property transfers within the past 5 years, for any reason.
 4. Subject lease(s), if applicable.
 5. Any additional exhibits that are important to the subject or valuation such as relevant owner-supplied photos or receipts, construction permits, etc.

SECTION 9 – WORK PRODUCT SUBMISSION

The State-contracted appraisers shall provide ONE color hard copy and ONE electronic copy (in PDF format) of the appraisal report on the due date for State projects.

Upon completion of Green Acres' review, if there are no changes, the appraiser will be required to submit THREE (3) additional color hard copies. ***If the report requires revision based on the initial review, upon completion of the revision, the appraiser will be required to submit a total of THREE (3) color hard copies and new PDF copy on labeled⁶ disk, all with updated report date.***

For Local projects (municipal or county-commissioned Blue Acres appraisals), if Green Acres' review results in no changes, nothing more will be required. If revision IS required, the appraiser must notify their client that Green Acres has requested the report be amended/revise. Upon completion of the revisions, the appraiser should provide a new color hard copy to the client, and shall provide new PDF copies, all with updated report date, to both the client and the Green Acres reviewer.

- ***Any omission of required documentation may result in the rejection and return of the report to the appraiser for revision and/or correction. The appraiser must acknowledge the receipt of phone messages or an emailed Blue Acres review within 48 hours, so we are assured it was received. Subsequent to that, once the review process has been engaged, prompt responses are expected.***

SECTION 10 – SPECIAL PROJECTS/ADDITIONAL WORK

If additional work, special projects, hearings, meetings, or other activities are required beyond the initial Blue Acres appraisal instructions for a specific appraisal assignment, the appraiser will supply a written cost estimate and schedule to Blue Acres (or the client) and must receive written authorization to proceed before commencing any additional work. For State projects, a new purchase order and Notification of Engagement must be created prior to authorizing any additional work.

⁶ **ALL** disks must be labeled with Offer/Owner #; owner name; town/county; appraiser name