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T R I B A L N A T I O N S

Land Buy-Back Program for Tribal Nations Listening Session

Albuquerque, New Mexico

March 3, 2016



Written remarks are invited, and may be emailed to:

buybackprogram@ios.doi.gov

www.doi.gov/buybackprogram

Agenda

1:00 pm	Invocation
1:10 pm	Opening Remarks
1:40 pm	Program Presentation
1:50 pm	Oral Comment period
2:45 pm	Break, Resource Tables open
3:15 pm	Remarks
3:20 pm	Tract Appraisal Presentation
3:35 pm	Oral Comment period
4:30 pm	Listening Session ends
5:30 pm	Resource Tables close



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Appraisal Presentation

Alberto Ugás, Office of Appraisal Services



www.doi.gov/buybackprogram

Office of Appraisal Services

- **Our Mission**

To provide our clients, the BIA and OST, with high quality, independent & objective appraisal services, prepared in accordance with national and federal appraisal standards. The highest quality appraisal services are the foundation for sound real estate business decisions, made by or on behalf of trust beneficiaries.

- **Our Vision**

To be the finest appraisal organization in the federal government, through the professionalism of our appraisal staff. To be a Center of Excellence for Appraisal Services.

What is the Land Buy-Back Program and why OAS?

- The Land Buy-Back Program for Tribal Nations was created to implement the land consolidation component of the Cobell Settlement, which provided \$1.9 billion to purchase fractional interests in trust or restricted land from willing sellers at fair market value (FMV).
- FMV is determined by OST's Office of Appraisal Services (OAS).
 - FMV is an appraiser's estimate of what a property would sell for, in an open and competitive market.

What is the Land Buy-Back Program and why OAS?

- Appraisals are completed by OAS for each tract of land.
- Appraisals are used to provide professionally derived and impartial estimates of fair market value.
- An appraisal is required by law, to provide both the beneficiary and the government, information on the value of the land to support trust land transactions.

What is the Land Buy-Back Program and why OAS?

- All appraisal work performed by OAS conforms to the Uniform Standards of Professional Appraisal Practice (USPAP).
- All staff appraisers from OAS are certified, holding the highest level of appraisal licenses.
- To ensure a credible, impartial and responsible appraisal process, LBBP worked with The Appraisal Foundation to obtain an independent review of our valuation methods and systems.

What is the Land Buy-Back Program and why OAS?

- At a subsequent review of LBBP work performed by The Appraisal Foundation last September, the following findings were made: *“The team has done an outstanding job managing the ...appraisal processes”* and further *“In the appraisal profession, this is a major accomplishment that should make OAS and the Department very proud.”*
- This accomplishment is only possible through the close cooperation of the tribes, in the appraisal process.

How is my property being appraised?

- At its most basic level, an appraisal is defined as “*the act or process of developing an opinion of value.*”¹ For LBBP purposes, all property is appraised ‘*as though vacant,*’ meaning that only the land is valued and not any surface improvements.

¹ Uniform Standards of Professional Appraisal Practice (USPAP)

- There are three (3) primary methods to develop that opinion of value: COST, INCOME or SALES COMPARISON. These three can be used independently, but they are most typically combined in a variety of ways.

How is my property being appraised?

- The COST APPROACH is based on the cost to replace the property (i.e., rebuild) after deducting for accrued depreciation.



How is my property being appraised?

- The INCOME APPROACH is based on the income the property generates, capitalized to determine its present worth.



How is my property being appraised?

- The SALES COMPARISON APPROACH is based on what similar properties in the vicinity have sold for recently.



How is my property being appraised?



How is my property being appraised?



How is my property being appraised?



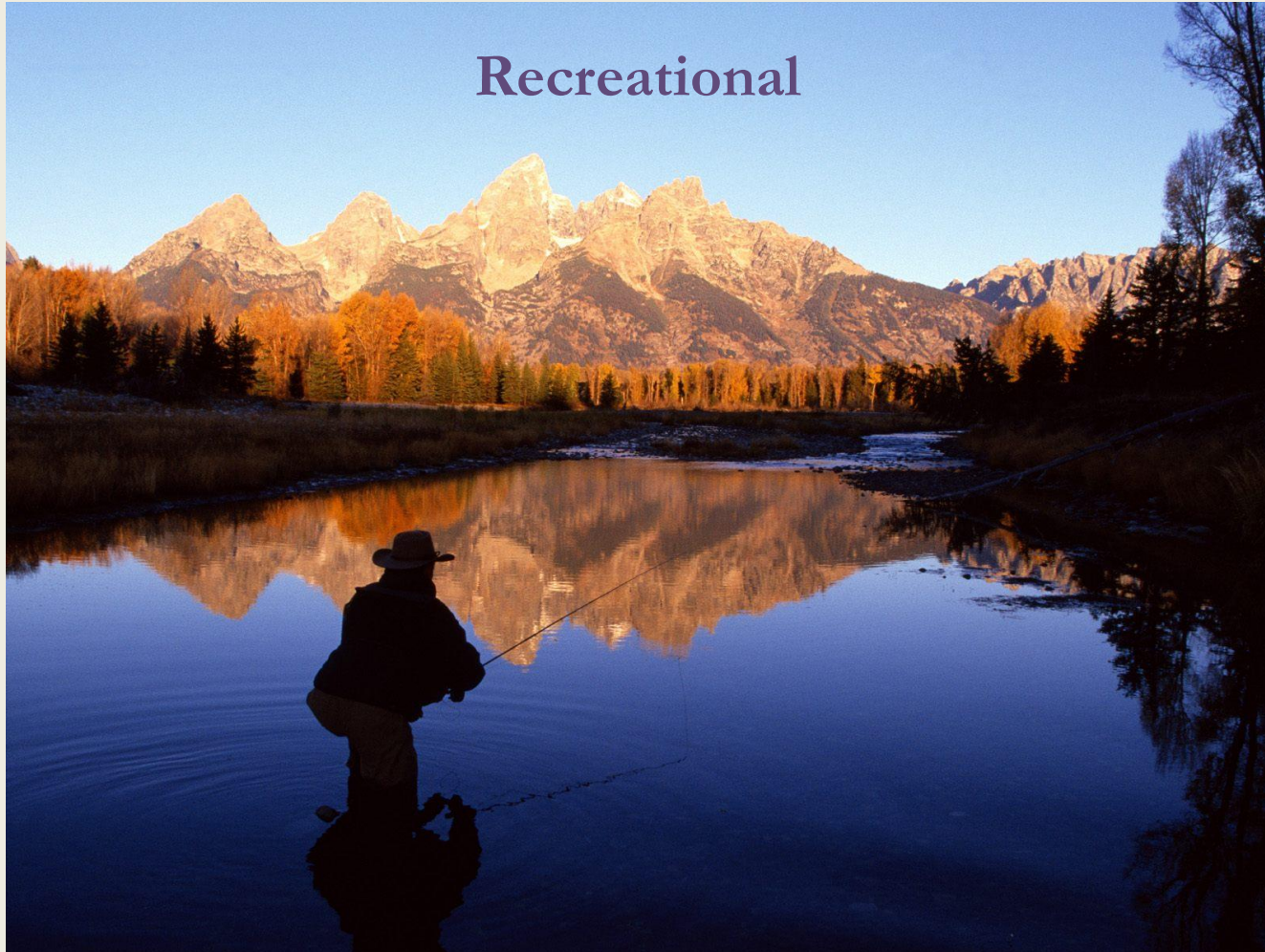
How is my property being appraised?



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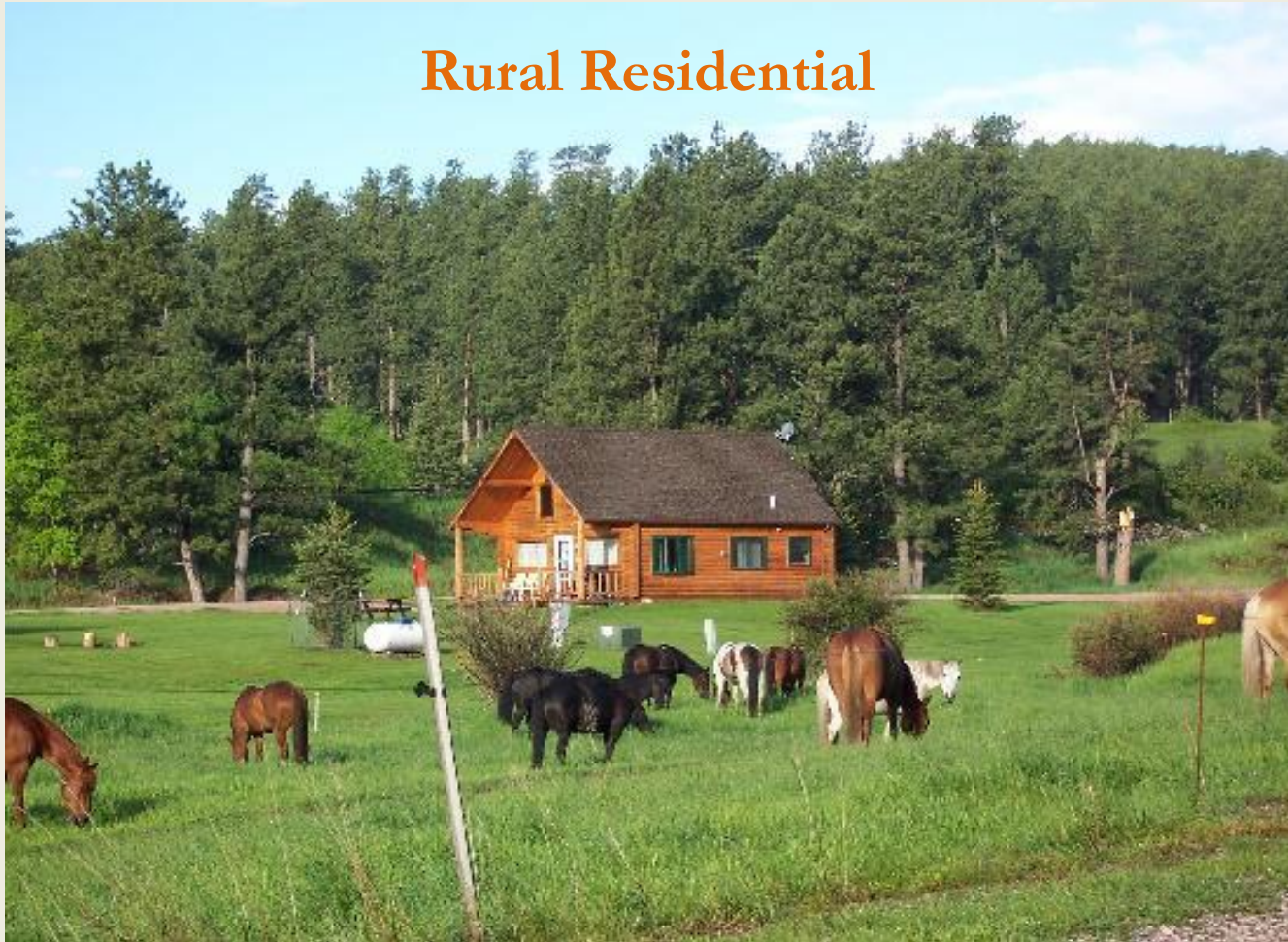
How is my property being appraised?



How is my property being appraised?



How is my property being appraised?



How is my property being appraised?

- Depending on the property type, the number of properties needing to be appraised, the number of available sales, and the complexity of the assignment, the final appraisal may be conducted in one of three (3) different ways:
 - Mass Appraisal
 - Project Appraisal
 - Individual Property Appraisal

How is my property being appraised?

How many appraisals have you completed to date?

- As of the end of calendar year 2015, OAS has completed appraisal work for LBBP on 20 reservations across 9 states.
- This represents 22,271 appraisals, comprising 4,229,272 acres.

Indian Land Tenure Foundation



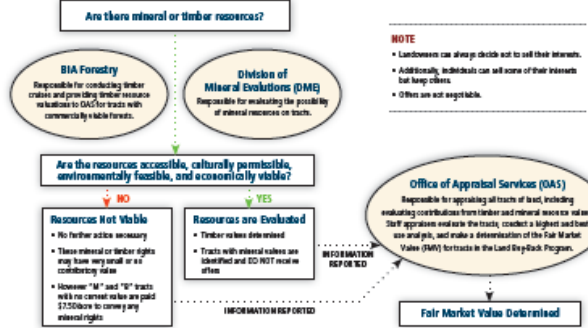
Understanding Appraisals and the Valuation Process in the Land Buy-Back Program

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).

Tract	Area	Tract ID	Tract Type	Year Acquired	Owner	Interest	Subsidiary	Area (Acres)	Approximate Value
1	104-4-0000	104-4-0000	Private	1980	John Doe	100%	Private	100.00	\$1,250,000
2	104-4-0000	104-4-0000	Private	1980	John Doe	100%	Private	100.00	\$1,250,000
3	104-4-0000	104-4-0000	Private	1980	John Doe	100%	Private	100.00	\$1,250,000

APPRAISED VALUE
To determine the value of the entire interest, divide per interest by your fractional ownership interest. (Example: 50% of interest by 1000/50% equals approx. 1,250,000.)

- "M" MINERAL TRACT**
Mineral rights only (for example oil, gas, coal)
- "S" SURFACE TRACT**
Surface rights only (land)
- "B" COMBINED TRACT**
Both mineral and surface rights



Land, Resource Valuation, and Appraisal Basics

An appraisal is the act or process of developing an opinion of value. Value is defined for the Land Buy-Back Program as the fair market value of an interest in a mineral or timber tract as of a certain date and as reported by the appraiser, and includes research covering factors including:

- Location
- Local market value and sales history
- Condition of the tract — access, electricity, issues, etc.
- Local use controls or restrictions
- The presence of mineral or timber resources, and
- Water and riparian uses as 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 these differences before reaching 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 evaluate tracts through its cost-structured, single-tract, field-based, and final appraisal of the Land Buy-Back Program. Each tract will be appraised by a single appraiser who will determine the highest and best use of the tract. The appraiser will report the:

- FMV
- FMV valid for up to one month from the date of valuation
- Appraiser will be used to prepare forms to purchase individual interests in tracts not otherwise sold through tracts

The Land Buy-Back Program will primarily use a cost appraisal technique. The benefits, risks, and benefits of the Land Buy-Back Program are based on the use of a cost appraisal method. The appraiser will use a cost appraisal method to determine the value of the tract and will provide an individual tract value based on its unique characteristics. OAS will use market studies, recent appraisals and other relevant information to appraise tracts. A cost appraisal method is used to determine the value of the tract. It is a highly technical appraisal method that requires a high level of expertise. The appraiser will use a cost appraisal method to determine the value of the tract. It is a highly technical appraisal method that requires a high level of expertise. The appraiser will use a cost appraisal method to determine the value of the tract. It is a highly technical appraisal method that requires a high level of expertise.

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Understanding Minerals and the Mineral Valuation Process

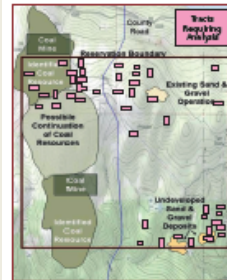


FIGURE 1. Geographical overview with view of mineral deposits and the relationship to tracts requiring analysis.

The Division of Minerals Evaluation (DME), part of the Office of Evaluation Services within the Department of the Interior, will evaluate the existence of economically viable mineral deposits within each tract. 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, these tracts are typically set aside because further analysis would be required to determine the value of the minerals.

The DME's conservation/area-wide methodology:

- assembles mineral 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 formation, the permeability for development, and the market situation, etc. Depending upon this success, 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 be very small or no contributing value.
- For situations where DME determines there is no mineral deposit or economic value, a Administrative Payment of \$7.50 per acre will be offered to landowners.
- The Administrative Payment is based on the value of any mineral, but is based on the value of any mineral, but is based on the value of any mineral, but is based on the value of any mineral.
- Tracts with current economic mineral value will not be included in the final offer, 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 would be readily accepted, and able to be paid for by a property in the current market. FMV will determine the amount that the owner will be paid for their interest in a tract.
- HIGHEST AND BEST USE** — The most probable and legal use of a tract of land or an improved property that is physically possible, financially possible and appropriate to the tract and is the most likely to produce the highest possible value.
- MARKET APPRAISAL** — The process used to value many properties that are similar in use, location, acreage, mineral interest, etc. and have active market values or comparable sales data. The process uses common data, identified methods and statistical testing and allows for greater efficiency and consistency in valuation. It provides an individual tract value based on the tract's unique characteristics.
- MINERAL REPORT** — Identifiable geologic occurrence of minerals of a size and concentration that may be profitable for economic recovery under existing laws. Typical minerals may include oil, gas, coal, sand and gravel.
- PROJECT APPRAISAL REPORT** — Data file containing report that include the appraisal of a tract, mineral interest, etc. The report includes the results of mineral rights in the same for all tracts and the report format shows the information under Uniform Appraisal Standards for Federal Land Acquisitions (USFSLA), Section 17-D.
- THE SPECIAL 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/tribalbuyback
- APPRAISAL METHODOLOGY**
www.doi.gov/tribalbuyback/appraisals
- Frequently Asked Questions**
www.doi.gov/tribalbuyback/FAQ
- TRUST BUREAU'S Call Center (TBC)**
1-888-476-6866
Hours of Operation: 9:00 am - 6:00 pm, Sat. 9:00 am - Noon, Mountain Time
Reading Travel Office at your agency or by email at www.doi.gov/tribalbuyback/tbc
- COBELL SETTLEMENT INFORMATION**
Indie T East Settlement
P.O. Box 9577,
Dulles, VA 20107-4077
1-800-961-4309
www.cobellsettlement.com
info@indietrust.com

The Indian Land Tenure Foundation (ILTF) is a national, community-based organization focused on American Indian land stewardship management. ILTF's primary focus is to ensure that all American and Indigenous self-determination and economic development are based on and managed by Indian people and Indian nations.

As a community foundation, ILTF relies on funding from private foundations and donations from individuals, 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





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