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R/W MANUAL CHANGE

RWMC- 207

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PROCEDURAL HANDBOOK
 (1984 Edition)

RWPH-____-____-____
 TRANSMITTAL#____

TITLE: APPRAISALS	APPROVED BY:  WAYNE HARROLD	DATE ISSUED: SEP 16 2010 <hr/> Page 1 of 1
SUBJECT AREA: CHAPTER 7 - APPRAISALS	ISSUING UNIT: OFFICE OF APPRAISALS AND LOCAL PROGRAMS	
SUMMARY OF CHANGES: Revises Sections 7.01.00.00 and 7.02.00.00.		

PURPOSE/PROCEDURES

Listed below are the changes to Sections 7.01.00.00 and 7.02.00.00:

- This revision reiterates that the Certificate of Sufficiency and the Hazardous Materials Disclosure Document are to be included in the appraisal reports sent for review and then retained in the District's File copy. But, as internal documents, they should not be included in the copy provided to the Grantor (7.01.19.00).
- The inclusion of the date of sale and unit land value, if available, is required (7.02.03.00, Q. Comparable Data Map).
- The definition of 'Nominal' Value is expanded (07.02.14.00).

BACKGROUND

This revision reflects the appraisal report requirements following AB 1322.

EFFECTIVE DATE

Immediately.

MANUAL IMPACT

- Remove the superseded pages and insert the attached pages in the Manual.
- Record the action on the Revision Record.

REVISION SUMMARY

<u>Chapter</u>	<u>Remove Old Pages</u>	<u>Insert New/Revised Pages</u>
	Remove the following in its entirety:	Replace with the following in its entirety:
7 - Sections	7.01.00.00 (REV 2/2010) 7.02.00.00 (REV 2/2010)	7.01.00.00 (REV 9/2010) 7.02.00.00 (REV 9/2010)

7.00.00.00 - APPRAISALS

7.01.00.00 - APPRAISAL POLICIES AND GENERAL REQUIREMENTS

7.01.01.00 General Overview

Article I, Section 19 of California Constitution states *“Private property may be taken or damaged for public use only when just compensation, ascertained by a jury unless waived, has first been paid to, or into court for, the owner.”*

7.01.01.01 Definition of Market Value

The measure of “just compensation” is “market value.” Section 1263.320 of the Code of Civil Procedure defines market value as:

“(a) The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

“(b) The fair market value of property taken for which there is no relevant, comparable market is its value on the date of valuation as determined by any method of valuation that is just and equitable.”

A just and equitable method of determining the value of nonprofit, special use property as defined, for which there is no relevant, comparable market is:

“The cost of purchasing land and the reasonable cost of making it suitable for the conduct of the same nonprofit, special use, together with the cost of constructing similar improvements.”

This method of valuation pertains only to those properties where all of the following apply:

1. Operated for a special nonprofit use such as a school, church, cemetery, hospital or a similar property.
2. Tax-exempt.
3. Not owned by a public entity.
4. There is no relevant, comparable market.

See Section 7.04.13.00 for further details.

7.01.01.02 Necessity for Appraisal

An appraisal is necessary to ensure compliance with the Constitution in arriving at a conclusion of just compensation. The basic document in all appraisals is the Appraisal Report. It contains the appraiser’s estimate of fair market value and all data and narrative necessary to support the appraiser’s conclusions.

An approved report is generally required for acquisition, property management, relocation assistance and record purposes. It is of critical importance to further Right of Way activity. It must be complete and reliable in all its contents.

The report will be a summary of basic information and conclusions together with pertinent support. It shall contain information about the properties and general aspects of the entire project. Additional backup information such as detailed improvement descriptions and plans, additional photographs, bids, detailed cost studies, interview records, additional comparable data, utility relocation studies, etc., should be maintained until acquisition is complete and the files are no longer necessary for record, testimony, or RAP purposes.

7.01.02.00 **Appraisal Report Not Required**

When the Region/District determines that the valuation problem is uncomplicated and the fair market value is estimated at \$10,000 or less, based on a review of available data, a report is not necessary. The \$10,000 amount includes severance damages but excludes any nonsubstantial construction contract work. Authority to waive the appraisal is provided for in Federal Regulation [49 CFR 24.102(c)(2)]. Authority to make this determination rests with the DDC-R/W, who may delegate it. The documentation required is the “Waiver Valuation.” (See Section 7.02.13.00.) The Waiver Valuation **cannot** be used as a basis for deposit when obtaining an Order for Possession.

7.01.03.00 **Uniform Relocation Assistance and Acquisition Policies Acts**

Both the Federal and State Uniform Relocation Assistance and Real Property Acquisition Policies Acts contain basic requirements for the appraisal of real property for public project purposes. These basic requirements are quite similar, and therefore apply to all projects. Appraisals are to be prepared according to these requirements, which are intended to be consistent with the Uniform Standards of Professional Appraisal Practice (USPAP).

49 CFR 24.2, 24.101, 24.102, 24.103, and 24.104 set forth these basic requirements.

7.01.04.00 **Standards**

The appraiser will thoroughly investigate and consider every material fact regarding the market value of the appraised property. Every effort will be made to interview the property owners and to secure factual information on the subject property sales, costs, alterations, income and expense data, age, etc. The subject properties and comparable data shall be viewed in the field and all improvements to be appraised shall be carefully inspected. The appraiser should refrain from furnishing detailed information regarding valuation, time schedule or construction items. At the appraisal stage, such information is usually incomplete and subject to change.

7.01.04.01 **Appraiser Qualifications**

The Associate Right of Way Agent is considered the staff appraiser for routine to complex eminent domain real property appraisals not involving Federally insured financial lending institutions. Staff appraisers (Associate Right of Way Agent) are not additionally required to be licensed by any other State agency having real property appraisal oversight. Ranges A and B Right of Way Agents are considered the staff appraiser when the work product is directly supervised by and cosigned by an Associate Right of Way Agent.

7.01.04.02 Jurisdictional Exception

The USPAP Jurisdictional Exception Rule allows for deviation from the USPAP Rules and Standards where Federal and/or State laws or regulations are in conflict. The State appraiser can follow the requirements set forth by the Uniform Relocation Assistance and Acquisition Policies Act in the Code of Federal Regulations and the California Code of Civil Procedures and retain compliance with USPAP. Examples of conflict are: 1) The definition of Fair Market Value. USPAP states “the most probable price” and the California Code of Civil Procedure states “the highest price.” 2) USPAP states when analyzing public or private improvements, the appraiser “must analyze the effect on value of such anticipated improvements to the extent they are reflected in the market.” CFR 24.103 prohibits including project influence in the determination of value. 3) USPAP states the appraiser analyze all transactions of the property prior to three (3) years of the Date of Value. CFR 24.103 states the appraiser analyze all sales prior to five (5) years of the Date of Value.

7.01.05.00 Separation of Appraisal and Acquisition Functions

The Department of Transportation (Department) maintains a separation of the appraisal and acquisition functions, except that, the same person can appraise and negotiate a parcel if total valuation, excluding nonsubstantial construction contract work, is \$10,000 or less. This dollar limit also applies to revisions where the appraiser was previously assigned to negotiate the parcel. The valuation document can be either an appraisal or Waiver Valuation as discussed in 7.01.02.00 above.

When the same person prepares the appraisal and does the acquisition, the Certificate of Appraiser must be revised from the standard Certificate. It should contain a statement substantially as follows: “That I understand that I may be assigned as the Acquisition Agent for one or more parcels contained in this report but this has not affected my professional judgment nor influenced my opinion of value.”

Members or candidates of professional appraisal organizations who are assigned to act in the dual capacity of appraiser and acquisition agent should check their organization’s code of ethics for specific prohibitions and disclosure requirements.

7.01.06.00 Prerequisites for “Preliminary Right of Way”

Right of Way Planning and Management is the lead right of way function concerning prerequisites for commencement of all “preliminary engineering” activities, “preliminary right of way” activities, and “regular right of way” activities. See Chapter 3.

Preliminary Right of Way is defined as those Right of Way activities that occur after:

- A. The project is programmed or lump sum funded. (Activities are typically charged as Right of Way support to the project’s Phase 2 expenditure authorization.)
- B. Budgeted spending has occurred.
 - 1. The project is in the current approved Right of Way Capital Plan or in the proposed Right of Way Capital Plan for the budget year.
 - 2. Other Entity Funding is secured. The source of funding is in accordance with the terms of a Cooperative Agreement with a Local Public Agency, if applicable.

The Preliminary Right of Way Activities are:

1. Ordering Title Reports.
2. Preparing Base Maps.
3. Preparing Appraisal Maps.
4. Conducting project-wide comparable sales searches once a preferred alternate is internally selected.

In addition, the preferred alternate must be made public in some manner, e.g., newspaper announcement, distribution of the final environmental document, or the like, before the following activities can take place.

5. Assigning appraisers to specific parcels.
6. Contacting the property owners to commence appraisal activity (i.e., sending the Notice of Decision to Appraise).
7. Completing the appraisal.

These prerequisites do not apply to hardship and protection appraisals.

One of the main reasons that project appraisals should not normally be completed far in advance of the environmental clearance on regular right of way acquisition parcels is to avoid their being outdated before offers can be made. If the appraisal must be updated because of a delay in receipt of the environmental clearance, support required to produce the second appraisal is not eligible for federal participation. In addition, appraisals of partial acquisitions should not commence prior to the receipt of appraisal maps.

Final environmental clearance is a prerequisite to commencing regular right of way acquisition. The exception to this rule is when "early acquisition" is approved. See the Early Acquisition Guidelines (Reference 3-EX-6). Appraisal support costs may or may not qualify for federal aid. PA&ED plus E-76 approval is the point at which parcel specific right of way support costs become eligible for federal aid on a federally eligible project.

7.01.07.00 **Dual Report Requirements**

The District may determine that a dual report is needed to ensure the owner receives a fair market value offer. Duals should be considered for unusually large or complicated parcels or parcels exceeding \$500,000 in value. This amount includes improvements pertaining to realty, severance damages, and construction contract work.

The following are items to consider in determining which parcels may require dual reports:

- There is a serious question as to highest and best use.
- Market data is inconclusive because of its scarcity and/or absence of established patterns and value conclusions must, therefore, be based primarily on opinion.
- There are substantial improvements not compatible with the highest and best use of the land. In other words, there is a high degree of economic obsolescence.

- A significant portion of the appraised value is severance damages or there is a substantial question regarding damages or benefits.
- The value of the land is primarily on a development-analysis approach, or there is reliance on a specific plan of proposed development.

Dual reports shall be separate, and fully independent in calculations, analysis and conclusions. This will give a better basis for determining market value and help ensure a sound offer. The appraisers and their Region/District supervisors are responsible for maintaining the fact, spirit and appearance of this independence.

7.01.08.00 Donations

Anticipated donations must first be appraised unless the following apply:

- A. The donation is initiated by the owner, and
- B. The owner, after being informed of the right to receive just compensation, provides the Region/District with a signed statement or letter waiving said right to receive just compensation and releasing the State from its obligation to appraise the property.

If an owner provides a signed statement or letter waiving just compensation but requesting an appraisal, the Notice of Decision to Appraise is not required.

In the past, IRS has indicated that staff appraisers may not be used to appraise donations in excess of \$5,000 which are to be claimed as charitable contributions for Federal tax purposes. The owner should be advised to check with a tax consultant, IRS and/or the Franchise Tax Board if this or other questions of tax implications arise.

Donations may be used as matching fund credit to a Local Agency. This can apply on selected route segments where a local agency is required to match State right of way protection expenditures. The donation must be appraised to establish the contributory value to be credited to the local agency.

7.01.08.01 Credit Toward State's Matching Share

Section 146(a) of the Surface Transportation and Uniform Relocation Assistance Act of 1987 provides that the fair market value of land lawfully donated after April 2, 1987, and incorporated into the project, may be used as credit toward the State's matching share for a Federal-aid highway project. No credit can be allowed for any amount negotiated with the owner which exceeds the appraised fair market value. The credit applies only to bona fide donations. It does not apply to dedications. The fair market value shall be established by an appraisal made in conformity with the provisions of 49 CFR 24.103 and 24.104, subject to the following conditions:

- A. Increases and decreases in the value of the donated property caused by the project are to be excluded.
- B. The appraisal shall not reflect damages or benefits to remaining property.

- C. The fair market value shall be established as of the date the donation becomes effective or when equitable title vests in the State, whichever is earlier.

Donated land must be incorporated into the project to be eligible for credit purposes. Donations made by a Federal, or a State government agency are not eligible for project credit purposes. A contribution by a unit of local government of real property which is offered for credit, in connection with a project eligible for assistance under this title, shall be credited against the State share of the project at fair market value of the real property. Property may also be presented for project use with the understanding that no credit for its use is sought. Right of Way shall assure that the acquisition satisfied the conditions in 23 CFR 710.501 (b) and the documentation justifies the amount of the credit.

All appraisals involving donations for credit to State matching funds must otherwise meet the same standards as normal acquisition appraisals. See Chapter 8 for further information related to Acquisition.

7.01.09.00 **Dedications**

Legal considerations concerning the appraisal of property having future street requirements as of the date of value are summarized in this Manual section. Legal considerations are not to be confused with factual determinations which are to be made in every instance by the appraiser. The problem of appraising property with future street requirements arises where the property is located in such manner that in order to comply with the master plan of streets or the master plan of zoning, additional street areas will be required to be dedicated and improved in the reasonable near future as of the date of valuation for the purposes of the appraisal. These properties generally fall into four categories:

- A. Those already improved to their highest and best use.

The property that is already enjoying the highest and best use and the street requirement, while considered, must be assumed to not affect valuation. The local governmental body could apply no valid pressure on the owner to force a dedication in view of the fact that he is already enjoying the highest and best use of his property. If the street were to be widened, the local governing body would be required to condemn the necessary area. Therefore, this property should be paid for at its full market value under its highest and best use.

- B. Those already zoned to their highest and best use.

Generally, a dedication requirement arises as a condition for a change of zone. If that is the only requirement of the local governing body, then the conclusions under Category A would be followed. However, a significant number of local governmental entities have adopted building permit requirements, as opposed to zone change requirements, which impose dedication requirements as a condition for obtaining a building permit. If the property is found in such a political entity, then the conclusion under Category C would be followed.

- C. Those not zoned or improved to their highest and best use.

Since the required street area would have to be dedicated before the property could achieve its zoning or building permit for highest and best use, the area so required would be of only nominal value. In this instance, the value of the area to be dedicated is reflected in the higher unit value of the remaining property which is generated by such dedication. It follows then that the average unit value theory could not apply and the nominal value theory would be used. In any event, if the appraiser finds that by reason of the local agency's governing provisions the land probably will never be used for street purposes, he should take that into consideration in forming his opinion of value.

- D. Those properties which would fall within Category C, except for the fact that there is an interim use of some significant time period before the ultimate highest and best use ripens.

The area to be dedicated would have the same unit value as generated upon either the whole property or the remaining property by the interim use, assuming, of course, that the time of the interim use and the value of the interim use were of such significance as to affect the appraiser's ultimate conclusions of value.

In the same category where the parcel has already ripened to a higher and better use but is improved with a lesser though significant and valuable use which would fall within the definition of an interim use, the determination of value in this case would, of course, be an appraisal problem.

In all of these instances, the future requirement of street dedication with the ultimate improvement of the street for city or county standards must be considered by the appraiser.

7.01.10.00 **Notice of Decision to Appraise**

The appraiser must advise the property owner of the State's decision to appraise the property. The notice must be in writing and cover the following:

- A. A specific area is being considered for a particular public use, i.e., the project;
- B. The owner's property is located within the project area; and
- C. All or a portion of the owner's property (which should be generally described) may be acquired for public use.

The letter will offer the owner (or the owner's representative) the opportunity to accompany the appraiser on an inspection of the property. It will give reasonable advance notice. There is no mandatory format for the notice; however, see Exhibit 7-EX-17 for a suggested format.

Enclosed with the letter to the owner will be the following:

- A. Written explanation of the Department's land-acquisition procedures. The booklet "Your Property, Your Transportation Project" will satisfy this requirement; and

- B. A Title VI brochure and other required items listed in R/W Manual Chapter 2, Section 2.04.01.02.

The Notice and acquisition procedure explanations may be modified as necessary when doing contract appraisal work for other agencies, when the property owner is a governmental agency, etc. Governmental agencies are entitled to written notice, etc., just like a private property owner; however, judgment should be used as to the need to send complete notices and packages to the same agency time after time.

7.01.11.00 **Parcel Diary**

The appraiser will initiate the Parcel Diary Form RW 7-1 for each ownership. The appraiser shall include all required information covered in the instructions. The form should be initiated by an appropriate entry indicating the date the parcel is assigned for purposes of preparing an appraisal, together with entries documenting parcel data. The parcel diary is an internal document to be forwarded with the appraisal for review and kept in the parcel file for documentation.

7.01.12.00 **Responsibility for Providing RAP Information**

The Appraisal Branch is responsible for the following:

- A. The Appraiser, when asked, shall give accurate, basic relocation information to all potential displaced persons who are encountered during the appraisal process.
- B. Pursuant to Federal regulations, the RAP Branch is required to advise potential displacees of their possible RAP benefits as soon as the occupants are identified. The Code of Federal Regulations also requires each business to be interviewed by the RAP Agent prior to the initiation of negotiations. The appraiser is usually the first contact a potential displaced person has with the Department. When an appraisal (primary or alternate) indicates a displacement of people, businesses, and/or personal property, the appraiser is to complete the Parcel Occupancy Data Form RW 7-2 at the time of the first meeting or contact with the owner. This is true whether the displacement would result from the taking of right of way or from the effect of the taking on the remainder. Note that a displacement may occur even though there are no severance damages to the real property (a “consequential” displacement). This form may be modified to cover a residential or business only displacement. The RAP Agent may accompany the appraiser during the inspection of the subject.

The Parcel Occupancy Data Form is an internal document; as such, it does not go forward with the appraisal. The appraiser is to forward the Parcel Occupancy Data Form to the Region/District RAP Branch at the earliest possible date and note in the Parcel Diary the date it was forwarded. The RAP Branch will then provide general relocation assistance information to all potential displacees listed. The RAP Branch will send the Title VI (Civil Rights) Survey form and a Title VI brochure to all known tenants.

The appraiser must immediately notify the appropriate branch (RAP, Acquisition, etc.) and make a parcel diary entry, of information which may affect the displaced person’s eligibility for RAP benefits (i.e., the knowledge that an occupant intends to move prior to the date of the first written offer).

- C. Where the appraisal of commercial, industrial, or other properties includes machinery, equipment, fixtures, and/or improvements pertaining to the realty, the appraiser shall, as part of the appraisal report:
1. Itemize for identification: machinery, equipment, and fixtures which are considered realty, as well as those items determined to be Improvements Pertaining to the Realty (see Sec. 1263.205 of the Eminent Domain Law). RAP will not pay for the relocation of realty.
 2. To the extent possible, determine the ownership or claims to ownership of the listed items as between the fee owner and tenants or lessees.
- D. If the primary or alternate appraisal indicates occupied improvements will be acquired or may be acquired as uneconomic remnants (in the market or to the owner), then the State is usually obligated to provide relocation assistance to the habitants (residential or business). In questionable situations, the appraiser shall discuss the situation with the Region/District's RAP Branch.
- E. Actual and Economic Rental Rates (see Section 7.03.08.00, "Rental Rates") - Economic rental rates for all improved properties will be shown in the fair market value appraisal.

7.01.13.00 **Legal Opinions**

All appraisals shall consider legal problems involved in the appraisal procedure. Care must be exercised to see they are clearly defined and resolved. The Region/District should consult with the Legal Division, normally through HQ R/W, when such problems are first encountered. The Region/District may request a legal opinion directly from a local office of the Legal Division generally where an interpretation of a condition or situation is involved.

Any legal opinions involved in the appraisal process shall be documented in the report. It may be desirable to secure legal opinions on such questions as benefits, compensable damages, extent of larger parcel, personalty versus realty, valuation of dedications, etc. Strictly adhering to this policy will result in minimum loss of time for Region/District personnel and the State's attorneys.

7.01.14.00 **Responsibility for Preparation**

Appraisals will only be made by qualified appraisers. Field work and composition will be accomplished by or under the direct supervision of a Right of Way Agent of at least Associate grade. The agent assisting in the preparation will, at the Region/Districts' option, sign the Title Page and/or a Certificate of Appraiser as discussed in Section 7.02.03.00, E. The appraiser shall personally conduct the inspection of the subject and comparable properties.

7.01.15.00 **Appraisal Review**

All appraisals are reviewed to:

1. Ensure that the appraiser's documentation, including valuation data and the analysis of that data, demonstrates the soundness of the appraiser's opinion of value and that the appraisal report conforms to the requirements of this Chapter and established appraisal practices.

2. Ensure that the appraised amount is equitable and represents a proper amount for the offer of just compensation in accordance with the Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970 and Government Code 7260 et seq.

Both the cumulative review and review appraiser process are recognized and acceptable methods for determining the adequacy and appropriateness of the appraisal report being reviewed to ensure that it is based on sound appraisal theory and contains appropriate documentation to support the appraisers' conclusions. Both methods will also accomplish the requirement that the approved appraisal represents the fair market value of the property and represents a proper amount for the offer of just compensation.

Definitions

Administrative Review - A review performed as a due diligence function in the context of making a business decision. The review will consist of ensuring the appraisal contains the proper forms, is in proper sequence, and the arithmetic is correct. The administrative review is usually less detailed than a technical review, and the administrative reviewer does not render an opinion as to adequacy of the opinion of value.

Technical Review - Review performed for the purpose of forming an opinion as to whether the analyses, opinions and conclusions in the appraisal report under review are appropriate and reasonable and that the appraisal complies with the Uniform Act, Government Code 7260 et seq., the requirements of this Chapter, and established appraisal practices.

7.01.15.01 Cumulative Review Concept

The cumulative review process used by the Department requires that the appraiser's supervising senior will conduct a technical review and approve or recommend for approval the appraisal report. If the supervising senior is not authorized to approve the appraisal report, it will be submitted for approval to the Supervising Right of Way Agent (Branch Chief), Region/District Right of Way Chief, or HQ R/W in accordance with the current delegations. A flow chart outlining the typical steps in the cumulative review process is shown as Table I in Section 7.01.21.00.

There are limited instances where the Review Appraiser concept and its implementation are available to the staff reviewing appraiser. See Section 7.01.15.02.

7.01.15.02 Review Appraiser Concept

The review appraiser is a unique position whose responsibility includes ensuring that appraisals under review are based on sound appraisal theory and contain appropriate documentation to support the conclusion of fair market value consistent with requirements of 7.01.15.00. As part of this responsibility, the review appraiser can reject an appraisal that does not meet the test of an adequate appraisal product and if unable to resolve the differences with the appraiser, require a new appraisal be prepared.

Consistent with current delegations, the review appraiser will conduct a technical review and will have the authority to approve all appraisals over \$10,000.

Since the review appraiser is the only individual reviewing and approving the appraisal report, it is imperative that the review appraiser have a solid appraisal background. This will include education and experience in preparing a wide variety of appraisals including part-take appraisals with severance damages and/or benefits analysis. At a minimum, the review appraiser should be a Senior Right of Way Agent and reports directly to the Region/District Right of Way Chief.

In limited instances, this concept and its implementation are available to the cumulative review appraiser.

This process may be used when an independent fee appraiser is employed to prepare a single-acquisition report or, in rare instances, on a staff appraisal. This situation may also be encountered when a local agency hires a fee appraiser, and the Department provides appraisal review and approval services.

When the review appraiser finds the report lacking in content, support, reasoning, or conclusion, the reviewer may elect to assume the capacity of review appraiser and supplement the areas considered lacking, including modifying the appraised value. This would be accomplished by written memorandum clearly delineating the areas in question and providing full support and documentation for the reviewer's conclusions. Approval requirements will be in accordance with existing delegations.

7.01.16.00 **Review Appraiser Process**

A flow chart outlining the typical steps in the review appraisal process is shown as Table II in Section 7.01.21.00.

A. Roles and Responsibilities of A Review Appraiser.

To better define the role and responsibilities of a review appraiser, a Review Appraiser Task/Duties is included as Table III in Section 7.01.21.00. While some of the tasks may be discretionary, the table provides the basis for the expectations of the duties to be performed by a review appraiser.

B. Approval Certificate

In conjunction with the approval of the appraisal, the review appraiser will sign the Review Appraiser Certificate, Exhibit 7-EX-24D, and Appraisal Title Page - Review Appraiser, Exhibit 7-EX-21B.

C. Dual Report Process

The current process for dual reports as stated in 7.01.07.00 remains the same. The review appraiser duties regarding dual reports are as follows:

- Review and concur with all requests for waiver of dual reports prior to submitting the request to the Region/District Right of Way Chief.

- When dual reports are prepared, the review appraiser will perform a technical review of both reports and recommend both reports to HQ R/W for approval.

The review appraiser's recommending approval of both reports is not a recommendation of two separate fair market values. Rather it is an indication that both reports are based on sound appraisal theory and contain appropriate documentation to support the appraisers' conclusions. See Section 7.02.09.02 for an additional discussion on resolving significant judgmental differences between the two reports.

Only the approved appraisal will be provided to the Grantor. The second report will be stamped "Reviewed for Documentation" and kept in the office files.

D. Role of Supervising Senior in the Review Appraiser Concept

Although the supervising senior will not be approving and/or recommending for approval the appraisals produced by their unit, they need to have a good understanding of appraisal theory and practice. In this context, the supervising senior will:

- Make appraisal assignments.
- Track progress of appraisals.
- Provide staff the necessary guidance and training.
- Assure consistency in application of data and valuations, particularly between different appraisers who are preparing appraisals in the same area.
- Make an administrative review of the appraisal for accuracy, adequacy of documentation, and consistency in the application of data and valuation prior to submitting the appraisal to the review appraiser for approval. This administrative review is not considered a review for purposes of approving the appraised value nor is it a first step in the cumulative review process. Rather it is a review for form and content to ensure that the appraisal product is complete and contains appropriate documentation to support the appraiser's opinion. Upon completion of the administrative review, the supervising senior will complete the Appraisal Checklist, Exhibit 7-EX-22, and sign a certificate indicating an administrative review of the appraisal for form and content has been completed. Exhibit 7-EX-23 is a suggested format for the transmittal letter.
- Assist the appraisers in responding to the Review Appraiser's concerns.

7.01.16.01 **Minor Deficiencies**

Minor deficiencies are deficiencies that do not affect the value, but should be corrected prior to approval. They include:

1. Mathematical errors not affecting the value conclusion
2. Project identification data
3. Parcel numbers
4. Typographical errors which could lead the reader to an erroneous conclusion. Location, zoning, or present use of either the subject property or of comparable sales, if not a major deficiency (i.e., one which affects value)
5. Other minor deficiencies not affecting value

In the case of minor deficiencies in the appraisal report, the review appraiser can either request the appraiser correct the deficiencies or make the changes to the report. Any changes made by the review appraiser should be initialed and dated and the appraiser notified of the changes.

7.01.16.02 **Major Deficiencies**

Major deficiencies are deficiencies that affect the value conclusion and, unless corrected, will result in a rejection of the appraisal report. They include:

1. Highest and best use analysis
2. Insufficient analysis, reasoning, and erroneous conclusions
3. Errors in valuation
4. Analysis that mislead the user of the report
5. Nonadherence to the requirements of this Chapter
6. Other deficiencies that will cause the report to be rejected

When the review appraiser finds that a report contains major deficiencies, the review appraiser should immediately notify the appraiser and supervising senior, preferably in writing, stating the deficiencies and/or need for clarification. If the review appraiser is unable to resolve the deficiencies, the review appraiser will reject the appraisal and request a new appraisal or prepare a Reviewer's Appraisal Report.

A. Appraisal Rejection

When an appraisal is rejected, the review appraiser prepares a memorandum to the Supervising Right of Way Agent (Appraisal Branch Chief) with a copy to the Region/District Right of Way Chief and supervising senior stating the reasons for the rejection, the major areas of disagreement, and efforts taken to obtain an acceptable report. The supervising senior will then make arrangements to have a new appraisal prepared.

B. Reviewer's Appraisal Report

If it is not practical to obtain a new appraisal, the review appraiser, after consulting with the Supervising Right of Way Agent (Appraisal Branch Chief) and Region/District Right of Way Chief, may develop appraisal documentation to correct the rejected report for the parcel in question. In arriving at their own estimate of value, the review appraiser may use valid market data available, including data contained in any appraisals received for review. The review appraiser must personally verify any data obtained on their own initiative and provide written analyses of the data, plus reasoned justification or explanation supporting their conclusions consistent with the requirements of this chapter and established appraisal practices.

When the review appraiser makes changes to an existing appraisal report to cure a deficiency which results in the reviewer's own opinion of value, the entire appraisal report is considered to be that of the review appraiser and no longer that of the original appraiser.

7.01.17.00 **Approval Authority**

Regardless whether the Region/District utilizes the cumulative review or review appraisal process, approval of the appraisal products will be in accordance with the existing Delegations as discussed in the Policy Chapter in this Manual and shown in the Exhibit Section. Any approvals not specifically delegated are retained in HQ R/W. When appropriate, the Region/District can submit otherwise Region/District-approved appraisals to HQ R/W. This includes Local Agency Contract appraisals when acquisition is to be performed by the Region/District.

7.01.18.00 **Criteria for Use of Independent Fee Appraisers**

When the Department uses an Independent Fee Appraiser to prepare a regular acquisition, condemnation, excess land or airspace appraisal, the Independent must have a general “Real Estate Appraiser Certificate” issued in accordance with Title XI of Reform, Recovery and Enforcement Act of 1989 and the State of California Real Estate Appraiser Regulations Title 10, Division 6.5. This requirement also applies to all Federally-aided local streets and roads projects and all special funded projects.

7.01.19.00 **Report Processing and Records**

The original appraisal shall be held by the Region/District as their Record of Appraisals for the proper retention period. A copy of the approved appraisal is not required to be sent to HQ R/W. This includes Local Assistance contract appraisals when acquisition is to be performed by the Region/District.

1. Appraisals may contain multiple parcels in a single ownership for both HQ R/W and Region/District approval. Waiver Valuations may also contain multiple parcels in a single supplement. In these cases, parcels will be arranged in the report in numerical order regardless of approval authority.
2. The Title Page will indicate whether HQ R/W approved or Region/District approved.
3. If used, a Parcel Summary Sheet may be kept in the parcel file for documentation.
4. Internal documents including the Certificate of Sufficiency (COS), the Hazardous Materials Disclosure Document (HMDD), the Parcel Diary, the Parcel Occupancy Data Sheet, the Parcel Summary Page, and the Excess Property Inventory Valuation (VTA) are not a part of the appraisal per se. As such, they must go forward with the appraisal for review and also with the copy that goes to Acquisition. The internal documents are then retained in the District’s file. All internal documents shall be removed prior to providing a copy of the appraisal to the Grantor.

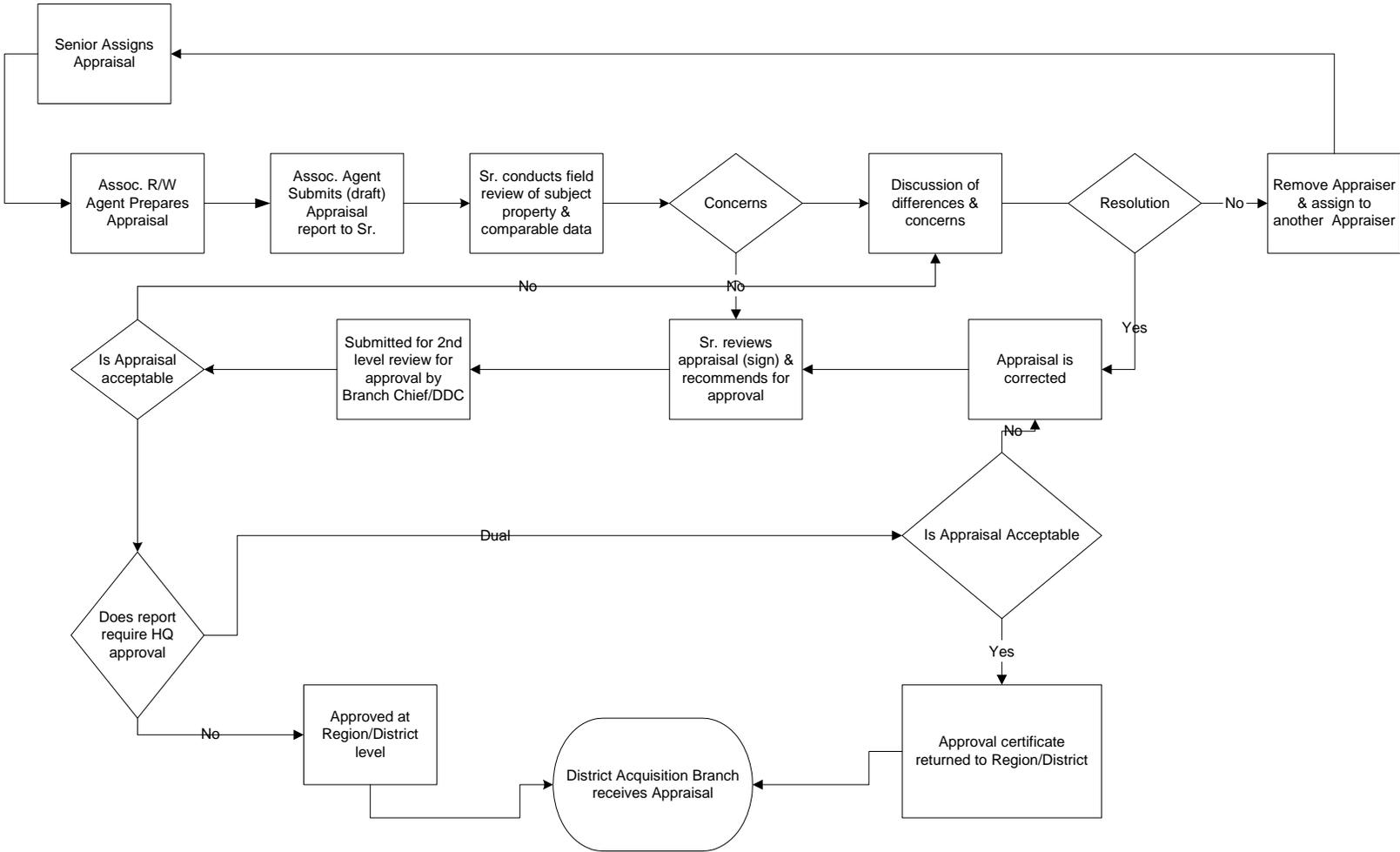
7.01.20.00 **Memo of Transmittal**

A memo of transmittal is not required for routine submission of Appraisal Reports. A memo is required on resubmission of unapproved reports or the submission of corrected or revised appraisal pages. In these cases, the memo will briefly summarize the reason for resubmission and corrections made.

7.01.21.00 **Tables**

- Table I - Cumulative Review Process For \$10,000 and Over
- Table II - Review Appraiser Process \$10,001 to \$1,000,000
- Table III - Review Appraiser Task/Duties

**Table I
CUMULATIVE REVIEW PROCESS
FOR \$10,000 AND OVER**



**Table II
REVIEW APPRAISER PROCESS
\$10,001 to \$1,000,000**

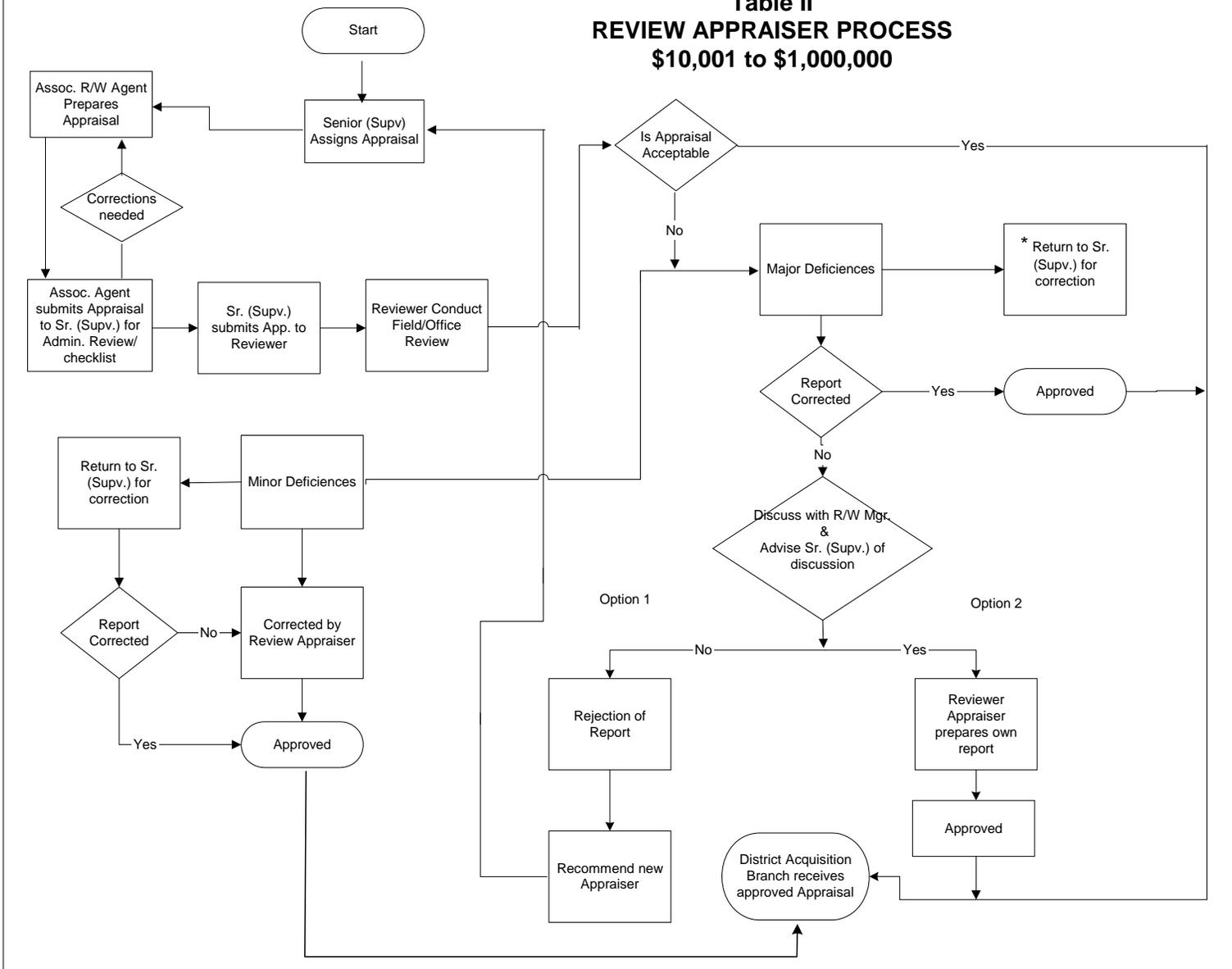


Table III
Review Appraiser Task/Duties

1. To become familiar with all projects involving the acquisition of parcels including field reviews, if necessary.
2. Meets with supervising senior to review the maps of projects involving R/W acquisitions and to discuss potential appraisal problems.
3. In conjunction with supervising senior, determines which parcels require dual reports and when dual reports may be waived.
4. Although supervising senior will author all requests for waiver of dual reports, appraisal reviewer recommends approval of such waivers to the Region/District Division Chief.
5. May attend STM meetings, Public Hearings, etc., for projects involving R/W acquisition.
6. Consults with the supervising senior to discuss appraisal issues that arise during the preparation of the appraisals.
7. Reads all single and dual project reports and field reviews subjects and comparable sales in accordance with existing instructions in the manual.
8. Assures that Appraisal Branch Senior has completed the standard "Appraisal Checklist," which verifies that appraisal meets requirements of R/W Manual.
9. When reviewing a report where the dual was "waived," has the right to request preparation of the dual should the single report display that the appraisal assignment did indeed not meet the criteria for waiver of a dual.
10. Consults with the supervising senior and the appraiser to discuss appropriate corrective action, if any, on concerns that arose during the appraisal review.
11. May make minor corrective changes to the report, which do not materially effect the value conclusion without assuming responsibility for the appraisal.
12. Approves all single project appraisals up to \$1,000,000, if dual was waived.
13. For dual project reports, reviews both reports regardless of value. Recommends both and sends to HQ liaison for review/approval, one for acquisition, and the other for documentation.
14. Reviews and recommends to HQ for approval all other nondelegated project appraisals, e.g., goodwill, railroad, etc.
15. Prepares Review Appraiser Certificate for all parcels approved.
16. Prepares Review Appraiser Report when appraisal is modified in some manner by review appraiser.
17. In exceptional cases, can elect to revise appraisals under the review appraiser concept. When does so, must author revised pages, appraiser certificate, etc., as required and assumes role of the appraiser.
18. Approves all Excess Land appraisals where the right of approval has been delegated to the Region/District. If not delegated, reviews report and recommends approval to HQ for final review/approval.
19. Reviews and recommends approval of all Airspace appraisals to HQ for final review/approval.
20. Repeats Items 7, 8, 9, 10, 11, 13, 14, and 15 as they relate to Excess Land and Airspace Appraisals.
21. Is responsible for assuring consistency of appraised values on any given project. When inconsistencies are observed, meets with the Appraisal Branch Senior to discuss appropriate corrective action.
22. Is responsible for assuring that individual appraisal branches are being consistent in the application of Department's appraisal policies. Consults with supervising senior when discrepancies are observed to discuss appropriate corrective action.
23. In conjunction with supervising senior, provides appraisal training to appraisal staff.

NOTES:

7.02.00.00 - APPRAISAL REPORTS

7.02.01.00 **Federal Project Numbers**

Federal project numbers are required for projects involving Federal participation in Right of Way costs. The Federal project number will appear on the following:

- A. All appraisal correspondence (including a letter of transmittal, if used)
- B. The Front Cover
- C. Appraisal Title Page
- D. Parcel Summary Page, if used
- E. Parcel Appraisal Pages
- F. Appraisal Maps

7.02.02.00 **Report Identification Numbers**

Appraisal Reports will use Phase 9 Expenditure Authorizations and be numbered in sequence. Each expenditure authorization will have its own series of report numbers. If an expenditure authorization is subdivided, each new expenditure authorization number will warrant a separate series of numbers. The Title Page will also show the Control Expenditure Authorization.

Project post mile and project limit descriptions of each report must coincide exactly with Phase 1 Expenditure Authorization limits. Right of Way Planning and Management can provide the most current description.

7.02.03.00 **Organization, Content, and Sequence**

The material in most reports shall be arranged in the following order as applicable. All pages in the report shall be numbered consecutively and completed as described.

A. Front Cover

HQ R/W copy of the report will be bound and the information shown on Exhibit 7-EX-1 will be typed in the upper right-hand corner of the cover sheet.

For a revised parcel, place the word "Revised" and the old report number in parentheses following the parcel number. All parcels appraised together as a larger parcel will be listed in parentheses under the lowest parcel number of the group, regardless of number sequence.

B. Title Page

The Title Page will be organized substantially as shown on Exhibit 7-EX-21 if the cumulative review process is used or Exhibit 7-EX-21B if the review appraiser concept is used.

At least two copies of the Title Page will be submitted to HQ R/W so one can be returned to the Region/District as a receipt. The original and all copies of the Title Page will be bound into the report, inside the front cover. This procedure provides the Region/District with a positive verification of HQ R/W having received their copy of the appraisal and any revisions.

Each person signing this page certifies the appraisal has had appropriate review for accuracy and the report is approved or recommended for approval. Signatures shall be in accordance with current delegations.

The person verifying the calculations certifies that all mathematical calculations have been checked, verifies the accuracy of the maps in comparison with parcel appraisals, and certifies that no typographical errors or content inconsistencies exist in the report.

The "Remarks" section may recommend referral of the report to a particular HQ R/W Reviewer who may have particular knowledge of the project or the appraisals involved. Special urgency may be indicated and electronic approval may be requested in this section. Special comments will be shown in this section.

C. Parcel Summary Page (if used)

This will be prepared in accordance with RW 7-4.

D. Senior Field Review Certificate

This will be organized substantially as shown on 7-EX-24. The Senior Agent supervising preparation of the appraisal will sign the Certificate which summarizes his field review and decisions regarding all parcels in the report. 7-EX-24A will be used when no field review is performed. 7-EX-24D will be used by the Review Appraiser.

E. Certificate of Appraiser

This is executed by the Appraiser and by any other Agent who participated in preparing the appraisal. A new Certificate is required whenever a parcel appraisal is revised resulting in a change in value. See RW 7-6.

F. Excess Land Review Certificates

The Excess Land Review Certificate is an internal document. This will not be included in the appraisal report, but transmitted separately for review with reports proposing purchase of excess. A new Certificate will be submitted with any change in excess parcels. See RW 7-7.

The Certificate will be executed by the Region/District Excess Land Manager. The purpose of the excess land review is to minimize or eliminate fragmentary excess land parcels.

G. Introduction

The Introduction shall contain information of a general nature applying to the Appraisal Report as a whole. It may also contain parcel description or valuation information pertaining to several parcels, if more than one parcel is included in a supplement (e.g., more than one parcel in a single ownership or Waiver Valuation).

Data which apply only to individual parcels should be shown on the pages for those parcels and not in the Introduction.

H. Outdoor Advertising Structures Page

All outdoor advertising structures owned by other than grantor or occupants of the subject property will be listed on the Summary of Outdoor Advertising Structures prepared in accordance with the format and instructions shown on RW 7-8.

The cost of outdoor advertising structures appraised will be carried forward to the Parcel Summary Page.

I. List of Access Openings

A list will be included in each report containing appraisals with proposed private openings in the access-restriction line. The list will show the openings by parcel number, station location, width, and type (permanent, temporary, or locked gate). The list and pertinent maps will be reviewed and confirmed with Region/District Project Development immediately prior to submission of the report for approval.

J. Photographs

Each Parcel Appraisal and each Comparable shall include photographs. They are to show all major improvements. Approximate location and direction of the view and the right of way line should be indicated where possible. Each photograph will be clearly identified with the parcel number, date, and photographer's initials or other suitable identification.

K. Parcel Appraisal Pages

Separate pages will be included covering all parcels (and subparcels when necessary) included in the report. See RW 7-9. An Appraisal Page may be used to recapitulate the values for all subparcels in the parcel appraisal and for all parcels appraised together as a larger parcel.

L. Parcel Remarks

The Parcel Remarks shall contain information of a specific nature, applying to the individual parcel only. Included in this narrative section are site descriptions, improvement descriptions, damages discussions, and calculations.

To aid the acquisition agent with the preparation of either the Appraisal Summary Statement or the Valuation Summary Statement, in compliance with Section 7267.2 of the Government Code, the appraiser shall provide a paragraph entitled, "Summary of the Basis for Just Compensation." The paragraph shall be reproduced, verbatim, and inserted by the acquisition agent into either the Appraisal Summary Statement or the Valuation Summary Statement. This paragraph shall provide a concise summary of the reconciliation of value, (i.e., method most heavily relied upon, and reason); the reason for damages, or the lack thereof; the reason that damages can or cannot be cured; and a discussion of benefits, or a lack thereof. Numerical calculations should not be included in the narrative discussion.

This information can be included in the Introduction section when the appraisal report, or waiver of appraisal report, contains only one parcel.

M. Sales Data Page

This will be prepared on the form and according to the instructions shown on RW 7-10. Each change of vesting of the subject during the last five years will be explained on a Sales Data Page. The most recent sale that occurred during this period shall be verified by the appraiser with both the grantor and the grantee if at all possible. If not verified with both parties, efforts to do so must be described.

A complete verification shall be made, not only as to price paid and terms of the sale and what the sale included, but why the seller sold the property, why the buyer purchased the property, was the buyer aware of the State's proposed construction and acquisition, if the buyer had knowledge of the proposed construction and the effect it had on the purchase price, and how the purchase price was determined.

Any difference in appraised value and sales price must be explained.

This page is not required for sales of portions of the subject ownership outside the right of way.

N. Summary of Comparable Data

All comparable data used in a report should be separately summarized in tabular form similar to Exhibit 7-EX-2.

A specific comparable or group of comparables may be related to one or more specific subject properties.

O. Comparable Data Pages

All comparable data will be carefully investigated with as many parties involved as warranted. Comparable sales should be confirmed with the buyer or seller; both parties, if necessary. In the rare instance when the sale cannot be confirmed with one of the principals to the transaction, the appraiser will provide the full explanation on the Comparable Data Page. In these cases, confirmation with secondary sources such as brokers, closing agents, and lenders with direct knowledge of the transaction should be included. Information solely obtained from the Assessor, Recorder, or private data services such as Costar, FARES, and Multiple Listing Service is not adequate for verification and confirmation purposes. Comparable improvements are to be inspected, including interiors, and square feet obtained. If not possible, the Comparable Data Page will so state.

Recent listings of the subject parcel should be investigated, considered, and explained in the appraisal. If the listing is considered to be a reliable indicator of value, it may be included in the comparable data. In this case, it will also be referenced as a subject parcel.

All comparable data will be described on Comparable Data Pages in accordance with RW 7-11.

Other State appraisals or settlements will not be used for comparable data purposes.

An appraiser using the data verified previously by another State appraiser must investigate and analyze the data as appropriate, to enable reliance on the information for valuation purposes. This does not require reverifying the data with the principals unless the circumstances warrant. It does require viewing the data in the field and reviewing all pertinent information necessary to become familiar with the data in all the aspects necessary for reliable comparison purposes. It is imperative that each appraiser analyze any zones of land value or contributory value of improvements indicated on the Comparable Data Page. Independent judgment will be documented by appropriate comments on the sales sheet to the effect that the figures have been reviewed and found reasonable or changes made to reflect the second appraiser's judgment. Each appraiser is free to change items on sales sheets previously used if he or she disagrees with the judgment of the original appraiser.

The Comparable Data Page will show the date and name of the agent who originally verified the data. If the comparable data is used by other appraisers in subsequent appraisals, the date and name of the using appraiser will be shown immediately below that of the verifying appraiser.

Not all comparable data discovered need be included in the report. Include only that data considered most reliable and indicative of market value and which has been referenced in support of the parcel appraisal. Additional data should be retained in the Region/District's files.

The Comparable Data Page shall be numbered, indexed, and filed for easy and rapid retrieval.

The inclusion of an Assessor's Plat of the comparable is strongly encouraged for clarity and understanding.

See Section 7.05.02.00 for further information on comparable data.

P. Appraisal Maps

The report will contain all the maps necessary for proper analysis, identification, and documentation. Each report will contain, at a minimum, an Index Map, Appraisal Maps, and a Comparable Data Map. When practical, these maps may be consolidated.

The report will include any additional maps required for proper understanding and documentation of specific parcel valuations, such as contour maps, topographic maps, or design plans. Significant topography should be included for partial acquisitions. Where a total ownership is very large, it can be shown on a reduced sketch, plat, or map.

Exhibit maps showing pertinent design detail are required for parcels with damages, benefits, and/or construction contract work of other than routine curative nature, utility relocations, or road approaches. Such exhibit maps may be on a reduced scale and need show only the affected parcels. The maps should show the main lanes, frontage roads, and the nearest interchanges, drainage structures, construction contract work locations, and information regarding cuts and fills (if significant) for the affected parcels. At the Region/District's discretion, this information may be on separate maps, or plotted on the Appraisal Maps. If a large number of parcel appraisals are involved, the possibility of consolidating the Appraisal Map and the topographic design map should be investigated.

The Appraisal Branch is responsible for the completeness of the maps, and for requesting delineation of pertinent data and topography not previously included.

It is also the Appraisal Branch's responsibility to ensure that maps, including coloring, are correct. If corrections are required, the maps will be returned to R/W Engineering for correction.

Q. Comparable Data Map

This map will be produced from information supplied by the appraiser. The map must show the proper locations of the comparable data, the subject properties, and other pertinent information necessary for the understanding of the comparable data. Inclusion of the date of sale and unit land value, if available, is required.

The map will be prepared by Right of Way Engineering or the appraiser. It will be of sufficient size or scale to show the following:

1. Size, shape, and location of subject property(ies) and comparable data as related to each other.
2. Zone(s) of the various properties (when pertinent).
3. Comparable sales colored orange, comparable listings colored green, and subject property(ies) colored red.
4. Utility service mains (when pertinent).

Additional information may be included when necessary or when considered by the appraiser to contribute to the understanding of the comparable data. A North arrow will be included on all maps.

7.02.04.00 **Parcel Numbering**

The parcel numbering shown on the Appraisal Maps and certified for right of way acquisition will be utilized in the report. If parcels merge prior to final Appraisal Maps being received by the Appraisal Branch, the parcel numbering will be revised. If a merger occurs after final Appraisal Maps are received, at the Region/District's option, the assigned parcel numbering will continue and the merged parcels will be appraised together as a larger parcel. Merged parcels will be colored one color; both separate and combined areas will be shown, and the correct vesting will be shown on the maps. The lowest parcel number will be used for reference and the other number(s) will be shown in parentheses. If the Region/District prefers, it can revise the maps and numbering and combine the parcels into one.

Occasionally, an ownership lies outside the right of way but has appurtenant rights affected by the project requirements (access rights, easements, etc.). The effect of the project requirements may not become known until the appraisal stage. Such rights may be cleared by quitclaim deed in the encumbered parcel transaction. Frequently, however, the right of way acquisition of the appurtenant rights may materially affect the dominant remainder. If a separate appraisal of the affected ownership is required, the Appraisal Branch will request a parcel number be assigned and the ownership delineated. Separate appraisals may be required when (1) improvements are affected, (2) damages occur to the remainder, (3) construction contract work is required, or (4) a separate escrow is necessary.

Subparcel numbers will be used to designate separate requirements. Occasionally, subsidiary interests, such as mining claims or oil rights, will require separate appraisals. These will be separately identified by subparcel letters by the Appraisal Branch and need not be delineated on Appraisal Maps unless required for clarity.

Parcel numbering for right of way purposes may not necessarily coincide with condemnation parcels nor with title company parcels.

It is the Region/District Appraisal Branch's responsibility to ensure that vestings, parcel numbering, and appurtenant rights are correct.

7.02.05.00 **Number of Parcels Per Report**

Generally, only one parcel will be contained in each report as the report will be provided to the Grantor in compliance with Section 102 of Streets and Highways Code. However, multiple parcels within a single ownership may be contained in a report. Waiver Valuations may also contain more than one parcel in a supplement.

7.02.06.00 **Parcels Straddling an Expenditure Authorization**

If requirements from a single ownership straddle an expenditure authorization, it will be acceptable to charge the total property cost to a single project expenditure authorization. Minor overlaps warrant investigation of possible project limit adjustments.

7.02.07.00 **Parcel Groups - Mutual Owners**

A project may contain multiple parcels with the same ownership, but the parcels not comprising an integrated operation. In these cases, the remarks for each parcel should contain clear references to other parcels required from the same owner. All requirements from a single owner on a project should be included in the same report, if possible.

7.02.08.00 **Parcel Groups - Integrated Operation**

A. General

Parcels that compose an integrated operation will be included in one appraisal with sufficient discussion to illustrate the relationship of the parcels. If the inclusion of all of the parcels in one appraisal is impractical, the Region/District may approve the variance.

B. Procedure

When appraising parcels which are part of an integrated operation, the following instructions apply:

1. All parcels in the group will be included together in the report regardless of numbering sequence. If revision of an unclosed transaction is necessary, either revised appraisal pages may be used or the entire group included in a revised appraisal.
2. A Recapitulation Appraisal Page (RW 7-9) will summarize the values for the total group. The page will reference in the upper margin all parcels included in the group. It will use the lowest parcel number as file reference.
3. Following the Recapitulation Page will be the pro rata segregations of value for each parcel and subparcel, including excess portions. Subparcels will follow each parcel. Below the words "Parcel No." on Appraisal Page, insert the words "See also Parcel _____" and the lowest parcel number in the group.
4. Following the Appraisal Pages will be the basic appraisal data for the group.
5. On the Appraisal Report front cover and Parcel Summary Page, list the parcels appraised together as a larger parcel in parentheses showing the lowest parcel number regardless of number sequence. On the Parcel Summary Page, the total value of each parcel in the group will be shown.
6. On the Appraisal Maps, the group will be colored as a whole with the same color. A plot plan of the group will also be shown if the total group cannot be seen on one map.

7.02.09.00 **Dual Report Process**

When a Dual Report Process is utilized, the second report may be prepared by either a second staff appraiser or by a contract appraiser under the supervision of another Senior, or both reports may be done by contract appraisers. Contract appraisals shall comply with all pertinent appraisal instructions. This includes the front cover through the Appraisal Page (RW 7-9) which will be prepared by the reviewing Senior from information in the report. The two reviewing Seniors shall act as a liaison between the appraisers to ascertain that both are following the same legal premises and have benefit of all the sales and other supporting data. (See 7.01.07.00 and 7.01.16.00, C.)

Senior Review Certificates will be prepared for each appraisal.

The excess property inventory valuation and replacement housing estimates will be prepared by Staff (following HQ R/W approval) and not by independent appraisers.

The report to be used for acquisition will be approved. The other report will be reviewed for documentation. The judicious use of joint factual data is encouraged; however, independent analyses, judgments, valuations, and conclusions are required. The Joint Factual Data Book may include any data of a factual nature mutually accepted as such by the appraisers, and other data such as acquisition authorization documents, list of access openings, photos, maps, and cost-new estimates.

7.02.09.01 Corrections and Revisions

Where two reports were prepared and revision or correction of the approved appraisal becomes necessary, the following guidelines are to be observed:

- A. In general, only the approved appraisal need be revised; except,
- B. In these situations where there is a major change which substantially affects the fair market value estimate, it is necessary to revise both reports.

7.02.09.02 Review Process

Region/District cumulative reviewers above the Senior level are responsible for resolving significant differences between reports due to factual matters only. Determining the reasons for major divergences is important. It may be necessary to inquire into the support for significant judgmental differences. However, any attempt to simply narrow the spread of values resulting from differences is inappropriate and contrary to the purpose for securing dual reports. HQ R/W will consider these differences in its review process.

The Region/District Appraisal Supervisor's signature recommending approval of both reports is not considered a recommendation of two separate fair market values. It is just indicating that both reports are based on sound appraisal theory and contain appropriate documentation and analysis to support the appraisers conclusions. HQ R/W is responsible for reviewing both reports and approving the report which best supports its conclusions.

7.02.10.00 Replacement Housing Valuation Reports

The Appraisal Branch may prepare these reports for use by the Relocation Assistance function. Instructions for preparing them are contained in Relocation Assistance, Chapter 10.

One individual cannot prepare both the Acquisition Appraisal and the Replacement Housing Valuation on the same dwelling unit. One Senior Right of Way Agent may review and recommend for approval both reports on the same dwelling unit as long as that Senior does not also have responsibility for the Region/District's Relocation function.

7.02.11.00 Calculations

All monetary appraisal calculations shall normally be carried accurately to the nearest cent without rounding of figures or adjustment of unit values to yield rounded figures. The total appraised value is to be rounded as follows:

- A. From \$500 to \$2,500, to the nearest \$50.
- B. From \$2,501 to \$100,000, to the nearest \$100.
- C. Parcels exceeding \$100,000, to the nearest \$1,000.

When several approaches to value are used, the final value found after reconciliation will normally be a rounded figure. Minor rounding adjustments are permitted on condemnation appraisals for clarity of testimony presentation.

Generally, land areas should be shown to at least two decimal places where acres or front feet are used, and to the closest square foot where areas are so expressed.

Building areas should be calculated to the closest square foot.

All calculations shall be carefully checked prior to first level recommendation for approval.

7.02.12.00 **Noncomplex Valuations of \$10,000 or Less**

Noncomplex parcel valuations of \$10,000 or less may be appraised utilizing either the memorandum appraisal format (Exhibit 7-EX-25), or a very succinct narrative appraisal using RW 7-9. The \$10,000 amount includes severance damages, but excludes minor construction contract work such as: replacement of existing facilities such as road approaches, fencing, irrigation pipelines, etc.

The determination as to which parcel valuations are noncomplex rests with the Region/District. Among the criteria to be considered in making the determination are:

- A. There is no serious question as to highest and best use.
- B. Adequate market data is available.
- C. Substantial damages and benefits are not involved.
- D. There is no substantial decrease in market value due to the presence of hazardous material/waste.

Exhibit 7-EX-25 shows the minimum content requirements for the narrative portion of the appraisal. The amount of analysis and degree of documentation should be in proportion to the appraisal problem and valuation involved. However, substance and brevity should be the norm. If RW 7-9 is used, then the narrative should be the same succinct format as the Memorandum Appraisal. A narrative paragraph, as described in Section 7.02.03.00, M., shall be included in the report.

All appraisals must include at least the following:

- Senior Field Review Certificate
- Certificate of Appraiser
- Photograph(s) of subject
- Index map
- Appraisal map
- Comparable Data Pages with photographs
- Comparable Data map

Where applicable, the appraisal must also include: Summary of Outdoor Advertising Structures, List of Access Openings, and Sales Data Page.

The amount of analysis and degree of documentation should be in proportion to the appraisal problem and valuation involved.

Appraisals of parcels of nominal or low value will ordinarily require only a brief valuation analysis. Market data used to establish the nominal valuation can be described in the memorandum without including Comparable Data Pages and Comparable Data Map. However, all of the other items discussed above must be included.

7.02.13.00 Waiver Valuation In Lieu of an Appraisal

An appraisal is not required if the Region/District determines one is unnecessary because the valuation problem is uncomplicated and the fair market value is estimated at \$10,000 or less based on a review of available data. The \$10,000 amount should include severance damages, if any, but exclude any insignificant construction contract work. Authority to make this determination rests with the DDC-R/W, who may delegate it.

The “Waiver Valuation” is not an appraisal and is to be used merely for documentation for support of the amount of just compensation to be paid to the property owner.

The determination as to which parcel is uncomplicated rests with the Region/District. Among the criteria to be considered in making the determination are:

- A. There is no serious question as to highest and best use.
- B. Adequate market data is available.
- C. Substantial damages and benefits are not involved.
- D. There is no substantial decrease in market value due to the presence of hazardous material/waste. Code of Federal Regulations [49 CFRs 24.102(c)2] provides that an appraisal is not required for parcels estimated at \$10,000 or less.

The Waiver Valuation may be based on a review of available relevant data, such as comparable-sales data or listing data, including sales already in the Region/District files; comparable data and multiple-listing service data; opinions of Assessor’s Office appraisers or real estate brokers, and other cost sources. Comparable Data Pages and sales location maps are not necessary.

The documentation to support the Waiver Valuation and required content will depend on whether the value is \$2,500 or less, or \$2,501 to \$10,000, and if it is contained in Sections 7.02.13.01 and 7.02.13.02.

Requirements regarding environmental clearance, project identification, certification date, confidentiality statement, and certification of need for the right of way and access control by Project Development still apply. A narrative paragraph, as described in Section 7.02.03.00, M., shall be included in the report.

Property owners of these parcels shall be sent some form of “Notice of Decision to Inspect” letter (7-EX-17A) with the appropriate Title VI information and booklet “Your Property, Your Transportation Project.” Also, parcel diaries should be initiated and included in the estimate and the file.

A Waiver Valuation must be approved in accordance with present approval delegations. They may be prepared and recommended for approval by an Agent of less than Associate grade. It is strongly recommended that Agent preparing the Waiver Valuation have a good understanding of appraisal valuation concepts.

Members or candidates of professional appraisal organizations who are assigned to act in the dual capacity of Appraiser and Acquisition Agent should check their organization's Code of Ethics for specific prohibitions and disclosure requirements.

7.02.13.01 **Waiver Valuation (\$2,500 or Less) - Contents and Requirements**

In addition to the documentation mentioned in Section 7.02.13.00, a Waiver Valuation valued at \$2,500 or less can be documented with a diary entry. The diary entry should state the basis of the value conclusion, i.e., land value, improvement value, and severance/cost to cure damages. In addition, a photograph(s) of the subject must be included.

7.02.13.02 **Waiver Valuation (\$2,501 to \$10,000) - Contents and Requirements**

In addition to the documentation mentioned in Section 7.02.13.00, a Waiver Valuation with a value estimate of \$2,501 to \$10,000 must include the following:

- Waiver Valuation Title Page, Exhibit 7-EX-21A
- Senior Review Certificate Form - Waiver Valuation, Exhibit 7-EX-24B
- Certificate of Waiver Valuation, RW 7-6A
- Waiver Valuation, RW 7-15
- Photograph(s) of subject
- Index map
- Appraisal map

The Certification of Waiver Valuation may have to be modified as to the statements concerning comparable sales. It should also contain a statement as follows:

“That I understand I may be assigned as the Acquisition Agent for one or more parcels contained in this report, but this has not affected my professional judgment nor influenced my opinion of value.”

7.02.14.00 Nominal Values (\$2,500 or Less)

Regardless of the type of valuation report prepared, i.e., narrative appraisal report, memorandum appraisal report, or Waiver Valuation, if the amount of all property rights or interests is \$2,500 or less, value of the required property shall be shown as “Nominal” in the total valuation amount column. However, calculations shall be shown in the valuation report to illustrate the basis for the \$0 to \$2,500 conclusion. For example, the report will show 0.025 acres at \$5,000/ac = \$125.

The word “Nominal” is carried forward to the Parcel Summary Page, if used; Senior Field Review Certificate, if required; and the Certificate of Appraiser.

As an option to showing the word “Nominal” as discussed above, the Region/District may show the following in a valuation report that is \$2,500 or less:

- A. If the value of the requirement is so minimal as to not be calculable or to not have an effect on the market value of the parcel, show \$0.00 (Nominal).
- B. If the valuation amount is between \$0 and \$500, show \$500 (nominal) in the amount column.
- C. If the valuation amount is between \$501 and \$2,500, show the actual amount rounded to the nearest \$50 with the word (nominal) after the amount.

Under this option, the valuation amounts shall be carried forward to the Parcel Summary Page, if used; Senior Field Review Certificate; and the Certificate of Appraiser.

The Senior Field Review Certificate and Appraisal Review Report shall be prepared substantially as shown on 7-EX-24. Minor modifications may be made to suit the approval requirements.

When the reviewing Senior questions an original estimate of value, parcels affected will be marked with an asterisk on the tabulation. The body of the Certificate will contain a brief statement of the problem and final decisions on each parcel. (Statements of specific amounts of monetary adjustments are not desired.)