

5. Appraisal Review

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5.1. Introduction

This manual is one of a series of manuals developed by the Department of Transportation and Public Facilities (DOT&PF) for use by its staff and contractors. Its purpose is to guide staff and contractors through the right-of-way (ROW) acquisition, appraisal, relocation, and property management processes. This chapter covers appraisal review procedures.

An overview and a summary of the various ROW processes, including the statutory and regulatory background for those processes, are set out in chapter 1 of this manual.

Electronic copies of the manual include hyperlinks to the appropriate section of the URL Index on DOT&PF's Web site. Simply scroll down the appropriate section to the referenced law, document, or other information. Efforts will be made to keep the URL Index current, but if a hyperlink does not work, please notify the state ROW chief in headquarters at 465-6962. **NOTE:** The hyperlinks are to statutes and regulations as those laws existed on the date the hyperlink was created. Please verify whether a law has since been amended.

Before the acquisition agent may begin negotiations (see chapter 6 of this manual), DOT&PF's Appraisal Review staff must conduct an appraisal review, as specified in this chapter, and establish an amount it believes is just compensation for each parcel to be acquired, using the [Review Appraiser's Determination of Just Compensation \(Form 25A-R505\)](#). The review appraiser bases the determination of just compensation, referred to as the "reviewer's determination" or the "determination," primarily on an appraisal of market value. The determination may be no less than the approved market value appraisal. Just compensation for any interest acquired by DOT&PF may not be less than \$100

To estimate just compensation and determine whether each appraisal is acceptable, a review appraiser must

review all appraisal reports used by DOT&PF. **After completing the review, the review appraiser must identify each report as approved, accepted, or not accepted.**

An appraisal may be acceptable without being the approved appraisal for the parcel. For example, if DOT&PF has requested two appraisals for the same parcel, both may be acceptable (correct format, use of correct forms, complete supporting data, etc.), but only one can be the approved appraisal.

In addition to determining just compensation, the review appraiser:

- Provides technical assistance to DOT&PF, the Department of Law, and other state agencies, and to staff and fee appraisers
- Is the headquarters representative on appraisal or value related issues
- Is the headquarters representative on project plans-in-hand inspections, appraisal contract selections, and appraisal plans
- Reviews and approves specialty reports

Unless otherwise specified, all instructions in this chapter refer to the review appraiser ("reviewer") from the headquarters Appraisal Review Unit who has been assigned to the project.

5.2. Appraisal Review Staff Requirements

5.2.1 Pre-Appraisal Field Inspection

As soon as an appraiser is assigned to a project (Section 4.3), if a review appraiser has not yet been assigned, someone from appraisal review should accompany the appraiser on a pre-appraisal field inspection of the project and discuss any potential problems.

5.2.2 Review Appraiser Assignment

The appraiser must transmit all appraisal reports to the state ROW chief, who will assign them to the Appraisal Review staff. The review appraiser must date-stamp and log all appraisal reports on the appraisal review tracking system upon receipt. The state ROW chief must notify the appropriate regional

chief ROW agent in writing (e-mail is acceptable) of the review appraiser's assignment and estimated completion date, and must place a copy of the assignment notice in the Appraisal Review files.

5.3. Review Process

5.3.1 Compliance Check

In conducting the compliance check, check all mathematical computations in the appraisal report for accuracy; proofread the appraisal report, including for clarity and logic; and complete the Conformance to Plans and the Appraisal Report Checklist as follows:

Conformance to Plans

Check the conformance of the appraisal report against the ROW plans by ensuring that the appraisal report reflects the following:

- Accurate project number and parcel numbers
- Correct ownership
- Current ROW plans, design plans/profiles, and cross-sections
- Accurate areas
- A discussion of all encroachments
- Existing easements, including identification of size, purpose, use, and interests

Verify that improvements within local setback requirements from the proposed ROW line are accurately shown on the ROW plans.

Appraisal Report Checklist

Complete an [Appraisal Report Checklist \(Form 25A-R510\)](#) for each report to ensure that the appraisal includes all of the required items specified in chapter 4 of this manual.

For contracted reports:

- Check the report against the contract to ensure that all requirements regarding conduct of the appraisal (scope of work, special instructions, type of report, etc.) have been fulfilled.
- If all applicable items in the checklist are present in the report, send a Recommendation for Payment of 75% to the regional chief ROW agent.

5.3.2 Post-Appraisal Field Inspection

If feasible, conduct an onsite review of each assigned appraisal report and the comparable sales (with the appraiser if possible) as soon as possible after the appraisal reports are received. As part of the post-appraisal field inspection, take the following actions:

- Identify the scope of available data on the project, including relevant appraisals and comparable sales.
- Confirm the accuracy of sales data by random spot check, and spot check the descriptions of both the subject and comparable sales.
- Become familiar with zoning, local ordinances or codes, regional requirements, etc. to evaluate the appropriateness of the appraiser's analysis.
- Conduct an overview of area and neighborhood economic trends.
- For a partial acquisition, examine cross sections and plans to thoroughly consider the effects of access, drainage, topography, design features, etc. on potential damages or benefits.
- Conduct spot check interviews of landowners, neighbors, assessors, real estate professionals, recording officers, media, previous owners, local appraisers, or other interested parties as necessary.

If it is not feasible to conduct a field inspection, place a written statement of the reasons in the project file (for example: "The appraisal is uncomplicated and involves small amounts of money"; "There are no significant improvements"; or "The review appraiser is familiar with the subject and comparable data from prior inspections.").

5.3.3 Desk Review

Analyze all aspects of the appraisal report. When reviewing a specialty report, the reviewer must disclose any training and experience limitations he or she may have and consult with appropriate technical specialists as necessary.

During the review, answer the following questions:

1. Are the sales or market data used comparable to the property under appraisal?

2. Does the appraisal represent current market value, or current in the context of market conditions that existed on the effective date of the appraisal?
3. Does the report include accurate information?
4. Does the report contain sufficient pertinent data to value the property adequately? Are all pertinent data incorporated in the analysis?
5. Are adjustments to the data supported, proper, and consistent?
6. Does the analysis of the data result in logical conclusions? Are the conclusions appropriate, fair, and reasonable?
7. Does the appraisal conform to acceptable appraisal methods, procedures, and techniques?
8. Does the appraisal conform to DOT&PF requirements?
9. Does the appraisal include all applicable approaches to value? If not, is there an adequate explanation why an approach was not used? Is each approach adequately supported?
10. Has the appraiser considered all compensable items, including damages and benefits, and excluded items considered noncompensable under Alaska law, or considered ineligible for federal participation?
11. Does the appraisal identify or list:
 - a. All affected buildings, structures, and other improvements?
 - b. Fixtures considered to be a part of the real property acquired or damaged?
12. Does the appraisal give appropriate, fair, and reasonable treatment to tenant-owned improvements? Is there an allocation of fee-owned and tenant-owned interests?
13. Are opinions based on sound reasoning and explanations?
14. Has an uneconomic remnant been created in the remainder?

15. Is the value conclusion consistent with other appraisals of similar properties submitted to the Appraisal Review Unit? If not, why?
16. Is the number of appraisals adequate?

If the appraiser was given special instructions, consult with the regional chief ROW agent and the appraisal supervisor or DOT&PF's attorney to determine whether the appraiser properly followed the instructions

Consider any information available for the parcel and similar properties in close proximity, including DOT&PF **waiver valuations** and approved appraisals, private appraisals, appraisals submitted by property owners, etc. Consider any relevant data that are not included in the appraisal, such as unreported sales, general economic indicators and trends, changes in development patterns, and physical or social factors that may affect the site or neighborhood, etc.

5.3.4 Request for Corrections, Revisions, Explanations, or Supplements; Unacceptable Appraisals

If the reviewer cannot accept the appraisal because of errors or insufficient documentation or analysis, contact the appraiser and request additional consideration of apparent deficiencies, corrections, additions, or deletions that may have an impact on the final value conclusion. Note minor errors and give the appraiser the opportunity to make adjustments.

Provide the appraiser with data that may affect value but that is not included in the report, and request further consideration. The appraiser must then supplement the appraisal report or provide written documentation to support a decision not to use the data.

Give due deference to the appraiser's opinions, since appraisers are hired because of their expertise. Refer any unresolved differences of opinion on value-related technical appraisal issues to the appropriate regional chief ROW agent and staff to determine the next course of action. Document all reasons for not being able to accept the appraisal.

5.3.5 Findings of Unacceptability

An appraisal is unacceptable if it does not meet the standards of this manual or is inconsistent with the Uniform Standards of Professional Appraisal Practice, and if reasonable efforts to obtain corrections, supplements, or revisions are ineffective. Examples of unacceptability include, but are not limited to:

- Inadequate research, investigation, or interpretation of market facts has led to unsupported conclusions
- The appraisal incorrectly used recognized methods and techniques necessary to produce a credible appraisal
- Analyses, opinions, or conclusions are misleading

Receive and consider all necessary explanations, corrections, revisions, or supplements before issuing the determination of just compensation. For an unacceptable appraisal, retain file notes until settlement or project certification, whichever is later.

Document all changes in the original reports and retain them in the parcel file until settlement or project certification.

Prepare written notification and the reasons for unacceptability of an appraisal and a recommendation for nonpayment, and transmit this to the regional chief ROW agent for appropriate contract action. The contracting officer makes the decision on whether to withhold payment.

5.3.6 Corrections and Changes to the Appraisal by Review Appraiser

Make pen and ink corrections of any minor mathematical or structural errors if those errors do not affect the final conclusion of value. Initial and date each correction.

Include in the appraisal any changes for revised areas, minor design changes, delays between the date of the appraisal and the date of the determination, etc. by initial and date, if the appraiser is unable to make these changes within a reasonable time. Attach to the appraisal written support for any changes.

5.3.7 Request for Additional Appraisal

If appropriate, recommend that DOT&PF obtain an additional appraisal. Examples of when this might be appropriate include, but are not limited to:

- If the original appraisal fails to meet minimum standards
- If there is an unresolved divergence among appraisers concerning value or interpretation of data
- When the reviewer deems it necessary

Coordinate the justification for an additional appraisal with the regional chief ROW agent, who has the ultimate authority to authorize additional appraisals.

5.3.8 Review Appraiser May Establish Independent Value

If an appraisal has inadequate support for just compensation, develop additional documentation to support an independent value if it is impractical to obtain an additional appraisal. The valuation must reflect the reviewer's independent analysis and conclusions and meet applicable DOT&PF standards, criteria, or specifications. This valuation then becomes DOT&PF's approved appraisal.

5.3.9 Uneconomic Remnants

An uneconomic remnant is a remainder parcel of real property that DOT&PF determines has little or no value or utility to the owner.

Designation of a remainder as uneconomic is an administrative function unrelated to market value, and is the responsibility of the review appraiser. Consider owner comments, regional or Department of Law recommendations, and appraisal issues. Document the decision on the [Review Appraiser's Determination of Just Compensation \(Form 25A-R505\)](#). Make this designation as a result of one or more of the following:

- Analysis of the remainder property
- Meetings between the owner and DOT&PF during the pre-acquisition stage
- Meetings between the owner and the acquisition agent

Show the value of any uneconomic remnant on the right-hand side of the determination within the allocation section of the form, and include it in the federal participation section of the form. Do not add it to market value, since it may reflect the use of the property rather than its value.

If, after completing the review, the reviewer designates a remainder as an uneconomic remnant, DOT&PF must make an offer to purchase the remainder.

5.3.10 Basis for Just Compensation

In the basis section of the [Review Appraiser's Determination of Just Compensation \(Form 25A-R505\)](#), include a discussion, evaluation, and resolution of any significant divergence on parcels with more than one appraisal. If an adjustment to the appraiser's value is warranted, support and fully document the reasons for the adjustment. Round the components (land, buildings, damages) and/or the total to an amount not less than the approved appraisal.

5.3.11 Documenting the Determination of Just Compensation

Prepare the determination in an objective, independent, and unbiased manner, and document this by placing a signed and dated statement [Review Appraiser's Determination of Just Compensation \(Form 25A-R505\)](#) in the file setting forth the following:

1. The determination, rounded to an amount not less than the approved appraisal, allocated to show:
 - a. The value of the land to be acquired
 - b. The value of major improvements to be acquired (tenant-owned and owner)
 - c. The value of easements, permits, underlying fee, etc. to be acquired
 - d. Cost-to-cure items
 - e. Net damages
 - f. Special benefits
 - g. Uneconomic remnants, if appropriate
2. An acknowledgment that the determination may be used in connection with a federal-aid project, when appropriate and, if so, a list of any amounts in the determination that are

ineligible for federal reimbursement as prescribed by [23 C.F.R. 710.203\(b\)\(1\)](#). Ineligible items are listed in Section 4.19.4 of this manual.

3. A statement that a field inspection of the parcels to be acquired and the comparable sales was conducted, or the reasons an inspection was not conducted
4. A statement that includes all of the following:
 - a. The reviewer's compensation is not contingent on the results of this review
 - b. The reviewer will not benefit in any manner from the acquisition of the property being appraised
 - c. The reviewer has no direct, indirect, present, or prospective personal interest in the property
5. A statement that the determination was arrived at as a result of independent, personal, unbiased professional analysis, opinions, and conclusions, based upon a technical review of the appraisal and other available factual data, without collaboration or direction

5.3.12 Revisions to the Determination of Just Compensation

If additional value information becomes available to the region or the Department of Law after the review, update or revise the determination at any time before settlement on a separate [Review Appraiser's Determination of Just Compensation \(Form 25A-R505\)](#), indicating that it is a revision. If the Department of Law has filed a condemnation action, confer with the attorney assigned to the matter.

5.4. Routing of Appraisals

After the review, if there have been any changes to the original appraisal, request clean copies (with original photographs, fully corrected, supplemented, or revised) of the approved appraisal report from the appraiser. The number of clean copies will vary as determined by the fee appraiser contract or by the Department of Law. Send the accepted or approved report and the determination to the appropriate regional chief ROW agent.

5.4.1 File Retention Schedule

The Appraisal Review Unit must retain the following files until parcel settlement, project certification or, if condemnation is involved, until receipt of the final judgment, after which the files may be destroyed:

- Original appraisal report
- All revised or corrected appraisal pages
- Original and revised comparable sales data and project books
- All correspondence
- A copy of the [Review Appraiser's Determination of Just Compensation \(Form 25A-R505\)](#)
- A copy of the appraiser's contract or assignment

5.5. Appraisal Reports for Condemnation

When a new or revised appraisal is obtained by or for the Department of Law, the appraisal must first be reviewed if it is to be used as a basis for settlement. To facilitate timely review, the Department of Law should inform the regional and headquarters offices of the dates of Masters' Hearings or trials and of new or amended appraisal contracts when they are not the contracting office.

Report the findings, comments, and recommendations of the review directly to the attorney assigned to the matter and seek corrections in coordination with the Department of Law. Maintain the strictest level of the attorney-client relationship, and mark and treat all correspondence, including comments about the appraisal, as CONFIDENTIAL—ATTORNEY-CLIENT COMMUNICATION. Keep all correspondence with Department of Law in a separate but related file.

Review opposing appraisals if requested by the Department of Law, and advise the Department of Law of the strongest aspects of a valuation witness' report, and which aspects DOT&PF may successfully challenge.

If additional value information becomes available after the case is filed, consult with the Department of

Law to discuss updating or revising the determination before settlement.

Upon conclusion of the review process, do one of the following:

- Issue a new or revised determination based on the date of taking as established by the court
- Advise the Department of Law that the appraisal is unacceptable
- If the appraisal is not required to be approved as the basis of value (that is, neither a revision of, nor a replacement for, the approved appraisal), discuss findings with the Department of Law and document in the file that the appraisal was reviewed before use in an eminent domain action.

After settlement, the Department of Law should send a copy of the Settlement Report to the Appraisal Review section.