2.12 REVIEW APPRAISER STANDARDS, RESPONSIBILITIES AND QUALIFICATIONS

2.12.1 Standards and Requirements for Review

The term “review appraiser” is used rather than “reviewing appraiser,” to emphasize that “review appraiser” is a separate specialty and not just an appraiser who happens to be reviewing an appraisal. Federal and state agencies and the Wisconsin Department of Transportation (WisDOT) have long held the perspective that appraisal review is a unique skill that, while it certainly builds on appraisal skills, requires more. The review appraiser should possess both appraisal technical abilities and the ability to be the bridge between the agency’s real property valuation needs and the appraiser. Agency review appraisers typically perform a role greater than technical appraisal review. They are often involved in early project development. Later they may be involved in devising the scope of work statements and participate in making appraisal assignments to fee and/or staff appraisers. They are also mentors and technical advisors, especially on agency policy and requirements, to appraisers, both fee and staff. Additionally, review appraisers are frequently technical advisors to other agency officials. The Bureau of Technical Services-Real Estate (BTS-RE) establishes standards and requirements for the review of appraisal and specialty reports of real property needed for highway and related purposes. The standards comply with and meet the intent of applicable provisions of the Uniform Relocation Assistance and Real Property Acquisition and Policies Act of 1970 (URA or Uniform Act), and the Uniform Standards of Professional Appraisal Practice (USPAP), as well as, the Uniform Appraisal Standards for Federal Land Acquisition (UASFLA) to the extent appropriate. The purpose of these requirements is to ensure that the approved estimate of just compensation is reasonable and adequately supported.

2.12.2 Responsibility

Review appraisers can be members of BTS-RE or region staff who are delegated the authority to determine offering prices based on the fair market value of real property. See sub-section 2.12.7 below for use of fee (or contract) review appraisers. The review appraiser is authorized to approve the appraisal for the establishment of the offering price (CFR 49 Part 24.104(a)). It is the responsibility of the assigned review appraiser to review all appraisal and specialty reports of property to be acquired or sold in connection with highway or related programs and to establish an amount which establishes just compensation for such acquisitions or disposal before the initiation of negotiations. The review appraiser is the person responsible for appraisal quality, value determinations, and establishing or recommending just compensation. The review appraiser’s responsibilities are to examine the analysis and presentation of data to assure all appraisal requirements are met and the report meets the definition of appraisal (see Section 2.1 of this manual) and is in compliance with applicable state and federal requirements. The appraisal review is to be a technical review by an appropriately qualified review appraiser. The qualifications of the review appraiser and the level of explanation of the basis for the review appraisers approved value depend on the complexity of the appraisal problem.

2.12.3 Functions of Review Appraisers

Under CFR 49 Part 24.104(a): The review appraiser is to review the appraiser's presentation and analysis of the market information and that it is to be reviewed against Section 24.103 and other applicable requirements. The review appraiser shall examine the presentation and analysis of market information in all appraisals to assure that they meet the definition of appraisal (24.2(a)(3)) and appraisal requirements found in 49 CFR 24.103 and state requirements, including, to the extent appropriate, the UASFLA, and support the appraiser's opinion of value. The level of review analysis depends on the complexity of the appraisal problem. As needed, the review appraiser shall, prior to acceptance, seek necessary corrections or revisions. See Section 2.13 of this manual for detail on appraisal review.

The review appraiser shall identify each appraisal report as recommended (as the basis for the establishment of the amount believed to be just compensation), accepted (meets all requirements, but not selected as recommended or approved), or not accepted. As authorized by WisDOT and allowed under 49 CFR Part 24.104, the review appraiser shall also approve the appraisal (as the basis for the establishment of the amount believed to be just compensation), or develop and report the amount believed to be just compensation.

If the initial appraisal submitted for review is not acceptable, the review appraiser is to communicate and work with the appraiser to the greatest extent possible to facilitate the appraiser's development of an acceptable appraisal. In doing this, the review appraiser is to remain in an advisory role, not directing the appraisal, and retaining objectivity and options for the appraisal review itself. The review appraiser is responsible to establish the amount believed to be just compensation for the agency.

If the review appraiser is unable to recommend (or approve) an appraisal as an adequate basis for establishing an offer of just compensation, and it is determined by either BTS-RE management or regional Real Estate management that it's not practical to obtain an additional appraisal, the review appraiser may, as part of the review, present and analyze market information to support a recommended (or approved) value, that is, the amount believed to be just compensation. If there are multiple appraisals, review appraiser can accept two (or more) and recommend (or approve) one. See Section 2.13 for more on review appraiser options.

In developing an independent approved value, the review appraiser may reference any acceptable resource, including acceptable parts of any appraisal, including an otherwise unacceptable appraisal. When a review appraiser develops an independent value, while retaining the appraisal review, that independent value also becomes the approved appraisal of the fair market value for Uniform Act Section 301(3) purposes. It is within agency discretion to decide whether a second review is needed if the first review appraiser establishes a value different from that in the appraisal report or reports for the property.

The review appraiser may supplement existing appraisals with documentation that supports a differing estimate of value or write a new appraisal if satisfactory revisions cannot be obtained. The review appraiser must also prepare a written report using the Appraisal Review (RE2128) form that identifies the appraisal reports reviewed and documents the findings and conclusions arrived at during the review of the appraisal(s). Any damages or benefits to any remaining property shall be identified in the review appraiser's report. The review appraiser shall also prepare a signed certification that states parameters of the review: the approved value and amount believed to be just compensation for the acquisition.

Under federal regulations no person shall attempt to unduly influence or coerce an appraiser, review appraiser or waiver preparer regarding valuation or other aspects of an appraisal, review or waiver. The review appraiser must remain independent and must not be subject to undue influence or pressure from anyone to arrive at a particular value. The review appraiser should be kept informed of all matters affecting the appraisal process and schedule.

Staff review appraisers must have a broad and comprehensive knowledge of the technical aspects affecting and influencing property valuation. They must possess knowledge and skill in the selection and application of the techniques and processes required to adequately support and document an appraisal. The review appraiser must be capable of reading, analyzing, and interpreting maps, plan specifications and legal descriptions. The review appraiser must have the ability communicate ideas and factual data to the appraiser in a manner that reflects both professionalism and integrity.

2.12.4 Delegated Authority and Qualifications of Regional Staff Reviewers

The review and approval of certain non-complex appraisals has been delegated to regional staff review appraisers. These non-complex appraisals include the following:

1. Parcels that have been identified or could be identified for the waiver of appraisal process. See waiver requirements in Section 2.10 of this manual.
2. Appraisals that are non-complex and less than $10,000. For example:
   a. Appraisals containing cost to cure that are economically justified and do not result in betterment.
   b. Appraisals of land that can easily be valued by the market approach with little or no adjustment to sales.
   c. Appraisals that include minor outbuildings or improvements that can be valued by the cost approach or contributing value.
   d. Appraisals where damages to remaining land do not exceed $5,000 and can be logically explained.
   e. Appraisals with no change in highest and best use.

Regional staff review appraisers must have the following qualifications:

1. Completion of a basic appraisal principles course such as Appraisal Institute Course 110, International Right of Way Association (IRWA) Course 101, or a comparable technical school or college program course <u>and</u> IRWA 401, 404, or 405.
2. A minimum of two years experience preparing the type of appraisal being reviewed.
3. A BTS-RE sponsored appraisal review training course.
4. Regional Real Estate supervisor or BTS-RE management may require other additional courses.

Staff who do not meet these requirements are subject to conditional approval of BTS-RE and their work will be monitored until the requirements are met. BTS-RE will determine the proficiency of regional staff review appraisers by review of their qualifications and experience and maintain a pre-approved list of qualified region personnel. If they are both involved in the same project, the work of the regional reviewer appraiser will be coordinated with the BTS-RE review appraiser for the area or project. This will be accomplished by holding project management meetings early in the process.

2.12.5 Delegated Authority and Qualifications of BTS-RE Staff Review Appraisers

The BTS-RE staff review appraiser will review all detailed (complex) appraisal reports, and those over $10,000. The definition of a detailed appraisal is found in Section 2.7 of this manual. The BTS-RE staff review appraiser must meet the following qualifications:

- A minimum of two years experience working with the type of reports being reviewed.
- Advanced appraisal education. This includes either having a Wisconsin Certified General Appraiser designation, or working towards this certification.
  - See new requirements effective January 1, 2008. The Appraiser Qualifications Board of the Appraisal Foundation determined these appraiser qualification requirements.
- Completed a basic appraisal principles course, such as: Appraisal Institute Course 110 or International Right of Way (IRWA) Course 101. Or, completed a comparable technical school or college program course <u>and</u> IRWA 401, 404 *or* 405.
- Supervisor may require other additional courses.

2.12.6 Importance of Appraisal Review

Review appraisers act as technical advisers to management. The review appraiser must remain reasonably autonomous and not be subject to undue influence or "directed values." The review procedure is a quality control step in working to maintaining the integrity of the appraisal process. The review helps to provide:

- An assessment of the work product of appraisers.
- Confidence in the report.
- Credence and reinforcement to the appraiser's conclusions.
- Increased levels of professionalism among appraisers.
- Professional relationships between department and appraisers.
- Quality performance for both staff and fee appraisers.
- Support for litigation and dispute resolution.
- Test of reasonableness for user of appraisal report.
- Test of the methods and techniques employed in the appraisal process, and determines if they are appropriate to the assignment.

2.12.7 Use of Fee (or Contract) Review Appraisers

The use of fee (or contract) review appraisers on federally funded R/W projects requires FHWA approval, whether on a project by project basis or on a blanket basis. Some cautions in the use of fee review appraisers include:

- If the project has federal funding in the R/W phase, a fee reviewer can only make a recommendation. The recommendations must still be a reviewed by a qualified WisDOT review appraiser to establish an offering price.
- The fee review appraiser may not be adequately knowledgeable of required state and federal policies, regulations, and laws.
- There is less control over the way the fee reviewer manages time. This can result in reviews not being completed in desired order or in a timely manner.

- Per 49 CFR 24.103(d). Fee (or contract) appraisers doing detail appraisal work must be a "Certified Residential Appraiser" for residential properties and non-residential properties with a value under $250,000; and, must be "Certified General Appraiser" for non-residential properties with a value greater than $250,000. These same standards apply to use of fee (or contract) review appraisal work.

The most common use of fee review appraisers is by local public agencies (LPA's). Frequently LPA's have neither right of way staff not administrative experience in right of way acquisition. Often it is necessary for LPA's to hire turnkey consultants to handle the entire right of way function or a specialist for one aspect of the project such as appraisal review, negotiations, relocation assistance, or property management. If it becomes necessary to use a fee review appraiser on federally funded R/W projects, the duties and responsibilities must be clearly spelled out in writing. It is essential that fee reviewers understand that their responsibility is to recommend an estimate of just compensation for use by the agency. The fee review appraiser is responsible for the contents of the appraisal, for seeing that any needed corrections are made, and for making certain that value conclusions are properly documented. The fee review appraiser must understand the type of written report the agency requires and the nature of the required reviewer's written certification. These expectations should all be included in the agency's contract with the fee reviewer. Fee (or contract) appraisers sometimes indicate that their appraisals have been reviewed (in house) before releasing the appraisal to the client. This is an internal control mechanism of the appraisal firm and does not constitute a review as required by a federal agency. The remarks in this document are not meant to cover the internal reviews by an appraisal firm and will not be discussed further. See Chapter 2/Section 2.13 of this manual for detailed guidance on the appraisal review process.