



2.13 APPRAISAL REVIEW GUIDELINES

2.13.1 Purpose

The appraisal report forms the basis for establishing an offering price that is fair, both to the property owner and to the public. The purpose of the appraisal review process is to ensure that factual data, assumptions and techniques within each appraisal are reasonable and sufficient to support the appraiser's conclusion, and that the appraisal meets all applicable state and federal requirements.

2.13.2 Overview of Appraisal Review Process

A qualified review appraiser shall examine the presentation and analysis of market information in all appraisals to assure that they meet the definition of appraisal found in [49 CFR 24.2\(a\)\(3\)](#); appraisal requirements found in [49 CFR 24.103](#); state requirements; and, other applicable requirements, including to the extent appropriate, the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) by the Interagency Land Acquisition Conference (see [link](#)). They must also 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 recommendation and/or acceptance, seek necessary corrections or revisions. The review appraiser shall identify each appraisal report as:

1. Recommended - meets all appraisal requirements, and should be used as basis for establishing amount believed to be just compensation;
2. Accepted - meets all appraisal requirements, but not selected as recommended or approved; or,
3. Not Accepted.

The review appraiser shall also approve the appraisal (as basis for establishing the amount believed to be just compensation), and recommend the amount believed to be just compensation.

2.13.3 Functions of Regional and BTS-RE Review Appraisers

The responsibility for appraisal review and offering price approval has been divided between the regions and Bureau of Technical Services-Real Estate (BTS-RE). The review and approval of certain non-complex appraisals has been delegated to "regional" review appraisers. Non-complex appraisals include:

1. Parcels that have been identified or could be identified for the waiver of appraisal process. See requirements in Section 2.10 of this manual.
2. Short Format Appraisals (non-complex and less than \$10,000). Examples:
 - Appraisals containing cost to cure that is economically justified and does not result in betterment.
 - Appraisals including minor outbuildings or improvements that can be valued by the cost approach or contributing value.

- Appraisals of land that can easily be valued by the market approach with little or no adjustment to sales.
 - Appraisals where damages to remaining land do not exceed \$5,000 and can be logically explained.
 - Appraisals with no change of highest and best use.
3. Whole takings of residential properties if < \$10,000.
 4. Project sales studies/data books.

BTS-RE review appraisers have been delegated the authority to review and approve all appraisals, complex and non-complex where the value is greater than \$10,000. Any appraisal that is required due to the breakdown of negotiations for a waiver of appraisal must be reviewed by a review appraiser.

Appraisal Problem Analysis (APA) Form

Appraisers, at the time of contracting/bidding or assignment on a project, will be given a completed Appraisal Problem Analysis (APA) (RE1004) for each parcel to be appraised. The intended purpose of this form is to highlight areas of potential concern, as noted by WisDOT, in a partial taking acquisition appraisal assignment and to assist the appraiser in determining and submitting an appropriate bid for services. An APA will not be provided in a "total acquisition" assignment. Items noted in the APA do not necessarily indicate the existence or absence of the item, only that a perception of a potential impact (or lack thereof) was observed by WisDOT, and should be investigated as part of the appraisal process. The information provided is in no way to be considered "all-inclusive" or "definitive" and is not intended to limit the scope of the appraiser's efforts in providing a reliable value estimate. Information provided herein has NOT been verified by WisDOT. As such, the information is deemed to be reliable but is NOT guaranteed, and the appraiser is advised to verify all data upon receipt of the appraisal assignment. The review appraiser will also be provided copies of all APA's and, to the greatest extent possible, should be involved in their initial preparation. The appraiser's response to the items noted in the APA, or lack thereof, can be considered in the appraiser's performance evaluation.

2.13.4 Objective Phase Appraisal

After an appraisal is complete, it must be submitted to the regional office. An objective review must be completed in the region before the appraisal is submitted to the review appraiser. The assigned "negotiator" for the project is the most appropriate person to perform the objective review portion of the appraisal review. The objective reviewer must take care that they are not performing a "subjective review" of the report but none-the-less are encouraged to point out to the review appraiser conceptual problems they may observe in the report. In no event is the objective reviewer to contact the appraiser and discuss revisions to the appraisal. When completed, the person in the regional office preparing the objective review report will state that the objective review has been completed in the submittal memo (or a checklist can be used). The objective reviewer must also make check marks on the appraisal report submitted to the reviewer to show what items have been checked. If there are any revisions needed as a result of the objective phase of the review these revision requirements should be noted and forwarded along with the appraisal to the review appraiser. At a minimum, the following questions are to be answered in the objective review report:

1. Are all math calculations correct?

2. Does area and interest to be acquired agree with latest approved right of way plat or pending revision?
3. Does date of opinion coincide last inspection date?
4. Is appraisal of the type that was contracted for?
5. Is certificate of appraisal included?
6. Was owner or his/her designated representative offered an opportunity to accompany appraiser during inspection of property? Was his/her response noted?

The objective reviewer then forwards the objective review report, along with the appraisal, to the review appraiser.

2.13.5 Subjective Phase (by Review Appraiser)

The sufficiency and correctness of data must be considered. The reasonableness of the appraiser's assumptions can be measured by comparison with the assumptions of another appraisal of the same property, comparison with other appraisals, by direct investigation by the reviewer. The review appraiser then conducts a technical review of that appraisal and answers the following questions:

1. Did appraiser discuss his/her rationale for concluded value by referencing logic to most comparable sale(s)?
2. Does area/interest to be acquired agree approved plat? (Assumes relocation order was filed prior to review process.)
3. Does comparable sale sheet include an adequate roadside photo?
4. Does format of appraisal agree with contractual requirements of region?
5. Has appraiser included any "non-compensable" items?
6. Has appraiser indicated if report is self-contained, summary or restricted use?
7. Is effective date of appraisal same as last inspection date?
8. Was "larger parcel" identified with respect to accepted definition and in consideration of historical court decisions?
9. Was a separate entity analysis of acquisition area acknowledged and discussed per [s. 32.09\(6\) Wisconsin Statutes](#)?
10. Was acquisition area discussed in an understandable manner?
11. Was an adequate sale location map included identifying location of each comparable sale by street/road and crossroads?
12. Was appraisal analysis reasonable, logical and defensible, based upon an adequate sample of informed data?
13. Was full market assessment information of improvements discussed, if used in before value analysis of property?
14. Was owner or his/her designated representative offered an opportunity to accompany appraiser during inspection? Did owner or his/her representative accompany appraiser?
15. Was remaining property and effects of acquisition explained in an understandable manner?
16. Was scope of work sufficient to address appraisal problem?
17. Was there a discussion of existing zoning on property and whether that zoning agrees with chosen highest and best use?
18. Was there a discussion of highest and best use of property both as vacant and as improved with a logical conclusion?
19. Was there adequate discussion and illustration of physical characteristics of improvements?
20. Was there adequate discussion of area and neighborhood as it relates to subject?
21. Was there adequate discussion of physical characteristics of land?

22. Were a sufficient number of quality comparable sales analyzed?
23. Were an owner's CSM or subdivision lot changed as a result of acquisition, and was it subsequently corrected on a cost to cure basis?
24. Were appraisal methods and techniques used in compliance with latest USPAP and supplemental standards of WisDOT and FHWA?
25. Were comparable sales verified by a party to transaction using format suggested in Real Estate Program Manual (REPM)?
26. Were concluded damages allocated?
27. Were grid adjustments and/or narrative discussion within boundaries of reasonable probability?

2.13.6 Technical Review

The review appraiser must make reasonable efforts to verify that the factual data within the appraisal is correct. If the appraiser's opinion of value is based on errors of fact, no amount of explanation, logic, or supporting data will result in a valid conclusion.

1. Plans: Reviewer should be familiar with right of way and construction plans, and should specifically check whether appraiser has properly interpreted construction features. Review appraiser needs to verify conclusions about nature of proposed construction and its effects on after condition of property being appraised. In complex appraisal assignments, reviewer must assure that appraiser has good understanding of effect of proposed construction before beginning appraisal process.
2. Data verification: Mathematical calculations must be verified, but factual data about items such as: site size, building size, zoning, availability utilities, or sales price of a comparable can, at reviewers discretion, be verified on a spot-check basis. Example: reviewer is not expected to verify all sales or measure all buildings. Reviewer should, however, randomly check some factual information and should check any information appearing questionable (i.e., if appraiser says a property is zoned residential and it is surrounded by commercial development, reviewer should verify zoning).

One of the best ways to check for factual errors is to compare appraisals on a project basis. On any given project, factual information will likely be found in more than one appraisal and may have been compiled by more than one appraiser. When two appraisals differ on factual data, for example, the sales price of a comparable sale, the reviewer should verify which information is correct and inform the appraisers accordingly. Where there is more than one appraisal of the same property, the reviewer should always compare the appraisals for discrepancies of fact.

2.13.7 Valuation Conclusion

The ultimate objective of any appraisal is to arrive at an opinion or estimate of value. For the appraisal to have validity, it must be based on data that is both factual and relevant, and the reviewer must judge whether the data meets those requirements. It is the reviewer's responsibility to recognize when an appraiser's conclusion is not supported, for example, because the supporting data is inadequately analyzed. The appraiser may have overlooked the existence of pertinent data or ignored or failed to analyze data that was available. If the problem is that the appraiser has overlooked or failed to consider relevant market data, the reviewer should ask that the data search be expanded. Good comparable market information can be limited or simply not available. This is particularly true with right of way acquisitions since they often involve partial takes and/or damages. When market data is limited, the appraiser is often forced to compensate by careful analysis and explanation of the data that does exist. If data is carefully and

appropriately analyzed, an opinion of value based on limited data can be acceptable. If the appraiser has provided the essential factual data, has analyzed that data fully, thoroughly explained how it relates to the subject property, and has given the reasoning and logic for the conclusions, the final value conclusion will likely be reliable.

2.13.8 Requests for Revisions

After the subjective review is completed the reviewer is to contact the appraiser and request all revisions, both objective and subjective. The review appraiser shall document any request for revisions and notify (via email or in writing) the regional office that revisions have been requested. Revisions made by the appraiser shall be sent to both the review appraiser (for final review and approval) and to the regional office. Questions by the appraiser regarding requested revisions must go to the reviewer. The region shall keep track of the time that the appraiser is taking to make the revisions and enforce any contract provisions they may have regarding timeliness of the appraiser. If the appraiser fails to return all of the requested revisions it may be necessary to request revisions again. Revisions must be completed and returned to the review appraiser within working ten days, unless other arrangements have been made.

The review appraiser may make minor changes and corrections that do not affect value. Examples of such minor changes are insignificant math errors, misspellings, and typographical errors. Whenever a reviewer makes such a correction, the reviewer will initial the correction. The region should be notified to make the same corrections in the region and owner's copy of the report. The reviewer shall send a copy of any minor corrections to the appraiser. This informs the appraiser that the reports are being checked in detail and it notifies the appraiser of the change.

When a review appraiser finds a need for significant changes or corrections that may affect the value outcome of the appraisal, the concerns must be presented to the appraiser in writing (e-mail notification is considered to be 'in-writing'). The appraiser should be asked to make these corrections and submit them back to the reviewer within ten working days. The appraiser's response must also be in writing (e-mail notification is considered to be 'in-writing'). All such correspondence should then become either a part of (incorporated into) the appraisal report or a part of the review file. If the revisions are not received within ten days, the regional Real Estate supervisor and regional contract specialist must be notified. If the review appraiser is unable to recommend (or approve) an appraisal as an adequate basis for the establishment of the offer of just compensation, there are several options that can be considered:

- An additional appraisal may be obtained. If there are multiple appraisals, review appraiser can accept two (or more) and recommend (and approve) one.
- If it is determined by either BTS-RE management or regional Real Estate management that is not practical to obtain an additional appraisal, reviewer may, as part of review, present and analyze additional or more relevant market information to support a recommended (or approved) value – an independent value determination – that is, the amount believed to be just compensation. Reviewer then becomes the appraiser and is responsible for value conclusions. Significant changes by review appraiser must be supported with same level of documentation as all other appraisals. Typically, a new appraisal report will not be required; however, when changes are so extensive that they would constitute a new appraisal, a review by another review appraiser is required.
- Review appraiser may write a new appraisal, if approved by BTS-RE management.
- Review appraiser may request that BTS-RE manager have another review appraiser review the appraisal.

2.13.9 Divergent Values – Two Appraisals

Identification of divergences - Often a review appraiser will be required to review more than one appraisal of the same property. When there is more than one appraisal, the reviewer should compare the appraisals on all elements within the appraisal and compare the differences. The reviewer should keep in mind that appraisals can have similar final value conclusions but differ significantly on individual elements within the appraisal. Where there is more than one appraisal on a parcel it must be remembered that before a value determination is made, all appraisals must meet the documentation standards and agency requirements. Technical divergences involve factors such as the size of the property, the age of improvements, the property's zoning, the selling price of a comparable, whether the property is leased or encumbered by an easement, or the physical characteristics of access to the remainder.

Appraisers may disagree on the highest and best use, the damages to the remainder, the selection of a capitalization rate, the contributory value of improvements types and amounts of depreciation whether an item is real or personal property, or the appropriateness of using a certain comparable sale. The review appraiser has a responsibility to explain or reconcile all significant differences between divergent appraisals. Then a factual error is found the reviewer should inform the appraiser in writing and have the appraiser verify the facts and revise the appraisal. Usually errors of fact can be readily resolved.

When appraisers disagree on matters of judgment, the reviewer should ask one or more of the appraisers to reconsider their position on the elements of value in question or to provide additional data or rationale. The reviewer must be careful not to direct or dictate a different opinion from the appraiser. All value related communication between the reviewer and the appraisers must be in writing and become part of the review file. After the attempts to reconcile divergences, the reviewer will usually have at least one appraisal that can be approved as the basis for the offer of just compensation. If at this point significant divergences remain, the review appraiser's written report should point out the differences and explain why the reviewer agrees with one and not the other.

If the review appraiser agrees with one appraiser on some points and with another on other points, elements of both appraisals may be combined into a final "Review Appraiser's Determination of Value." Under unusual circumstances, the "determination" may be so complex that it stands alone as a separate appraisal. The "Reviewer's Determination" requires the same level of documentation and support as any other appraisal. In order to reconcile appraisal differences, a review appraiser may suggest that a third appraisal be conducted. Ideally, the new appraisal will confirm the value of one of the original appraisals. However, there is a risk that the new appraiser may come up with an entirely different approach. When this happens, the review appraiser must resolve the problem with a "Review Appraiser's Determination."

2.13.10 Appraisal Review Form

The amount of detail required in the appraisal review report will be based on the complexity of the appraisal. Some important functions of the Appraisal Review Report (RE2128) are:

1. Certain troublesome or key requirements such as owner accompaniment, uneconomic remnants, non-compensable items, allocation of final estimate of value, or realty versus personality determinations can be documented and/or supplemented.
2. In many cases, report supports and strengthens appraiser's value conclusion.

3. Report documents extent of review, and gives reviewer an opportunity to document that an in-depth and complete review for appraisal was accomplished.
4. When review appraiser cannot agree with appraiser, reasoning is documented in report.

2.13.11 Valuation Consistency

Neighbors will often talk to each other about the price for their properties. They compare the amounts of money they were offered together with the amount of land needed from them for the new highway facility. Property owners know that land normally sells for so much per unit (\$/sq. ft., or \$/acre, or \$/foot of frontage). One of the responsibilities of the review appraiser is to assure that closely similar properties on a project have like unit values placed on them or be prepared to explain why not.

2.13.12 Non-Compensable Items

While federal and state laws require that compensation to owners be "just," there are some items for which a property owner cannot be legally compensated. These items vary from jurisdiction to jurisdiction, but a few common examples include: sentimental value, loss of anticipated future profits, inconvenience, changes in traffic direction or density, and circuity of travel where reasonable access is maintained. Some items are compensable under state laws that are not compensable under federal law.

1. State elements: Review appraisers must know allowable elements of compensability under state law, and assure appraised value does not include items that are not compensable under state law in estimate of just compensation.
2. Federal participation: Review appraisers must also be aware of compensability under federal law, and assure that appraisals conform to federal criteria or compensability. Reviewers must be aware of these items and identify them as ineligible for federal participation. Acquiring agency must have accounting procedures preventing items identified as ineligible from being claimed as participating for federal funding purposes.

2.13.13 Property Owner Appraisals

[49 CFR Part 24, paragraph 24.102\(f\)](#), states: "The owner shall be given reasonable opportunity to consider the offer and present material which the owner believes is relevant to determining the value of the property, and to suggest modification in the proposed terms and conditions of the purchase. WisDOT shall consider the owner's presentation." An appraisal submitted by a property owner must be considered. The review appraiser must consider any new information not previously considered or known (new sales, for example.) Significant new information might be given to the appraiser for further consideration or the review appraiser may choose to update the just compensation offer based on the additional data. The property owner's appraisals first come into the regional offices, and the region shall submit the reports to the BTS-RE review appraiser if there was BTS-RE review appraiser on the project. The review appraiser or designated region reviewer must document the review and consider all property owner material submitted, in order to comply with Wisconsin statutes. The review appraiser can change his or her offer of just compensation based on new information that appears in a property owner's appraisal. The owner's appraisal must meet these three criteria before they can be reimbursed for the cost of the appraisal. The review appraiser or the regional Real Estate supervisor must also review the owner's appraisal to ensure that:

1. All appraisal requirements are met.
2. Analysis and presentation is documented w/logical and reasonable conclusions of value.
3. Fees are reasonable and charges are typical for type of appraisal.

2.13.14 Appraisal Updating

The need for updating an appraisal most often occurs at the time WisDOT is preparing to condemn the property. The data used to estimate the value should be reviewed and an effort made to investigate pertinent sales up to the date of taking. In a fast moving and very active market, it may be necessary to update a relatively recent appraisal. New sales are sometimes brought to the negotiator's attention and subsequently to the appraisers' attention during the negotiation phase of the acquisition. If negotiations become protracted or the acquisition is otherwise delayed on the project, the appraisal may need to be updated. It must be updated if it is older than six months.

2.13.15 Poor Performance by Appraiser

If, during the appraisal or appraisal review process, but prior to the completion of the appraiser evaluation, an appraiser fails to perform satisfactorily according to the terms of the contract, the region must notify the appraiser immediately. They must indicate: what the appraiser is doing (or not doing) that is substandard; what they (the appraiser) need to do to correct the deficiency; and, a time line to get into compliance. Also see sample consultant bid documents for standards – including appraisal work order and special provisions.

2.13.16 Appraiser Performance Evaluation

An Appraiser Performance Evaluation (RE2127) is to be completed within 30 days of the completion of the appraisal. The regional contract specialist administering the contract will initiate the evaluation on the date of receipt of the final appraisal report for the appraisal to be reviewed. The contract specialist will consult with the appropriate regional Real Estate staff to complete the regional portion of the evaluation. The contract specialist will then send the partially completed form, electronically, to the BTS-RE review appraiser who will complete their portion of the evaluation, sign it, and return it to the contract specialist. The contract specialist will next obtain the regional Real Estate supervisor's signature and then forward the completed evaluation form to BTS-RE, where it will be inserted into a database available to all Real Estate staff. At a minimum, the original report must meet USPAP standards, regulatory requirements, and WisDOT criteria outlined in the contract. The rating should consider competency, professional judgment, consistency, adequacy of support, and the reasonableness and soundness of conclusions. The ratings should reflect the review of the appraiser's original work product, not that of the final corrected and approved report. The contract specialist will also send a completed copy of the appraiser performance evaluation (electronically or mail).