



## 2.6 APPRAISAL FORMATS

### 2.6.1 Appraisal Standards

Appraisals performed for federal or federally assisted real property acquisition must meet federal requirements under the Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970 (Uniform Act) requirements, must meet definition of appraisal under 49 CFR Part 24.2(a)(3), and must meet the requirements of 49 CFR Part 24.103(a)(1) through (5). WisDOT appraisals must also satisfy the requirements of [s. 32.09, Wis. Stats.](#) and the Wisconsin Department of Transportation Real Estate Program Manual (REPM), which is intended to be consistent with the Uniform Standards of Professional Appraisal Practice (USPAP).

If any provisions of the Uniform Act or Wisconsin Statutes, case law or regulations conflict with USPAP, then requirements of the Uniform Act or state statute or regulation take precedence. This is allowed under the jurisdictional exception provision of USPAP. A certification/license at the level of Certified General Appraiser is required when doing appraisal work for the department. As such, the appraiser is expected to comply with all USPAP requirements while fulfilling federal and state requirements for eminent domain appraisal assignments. Further, it is understood that the appraiser doing work for the department commands a full understanding of USPAP and is fully capable of complying with both departmental and USPAP requirements. USPAP has been written to allow the appraisers flexibility when doing eminent domain appraisal work requiring adherence to certain federal and state regulations and laws. It is the appraiser's responsibility to use and understand the adaptable features of USPAP when complying with federal and state regulations and laws. For example, the income approach is generally not allowed in eminent domain valuations. A jurisdictional exception would likely be used in most eminent domain appraisals produced for WisDOT; and, the appraiser would need to insert language on the order of one the following examples:

- Example 1: If the subject is an income producing property, the valuation analysis of the subject by the Income Capitalization Approach and Standards Rule 1-4(c) of USPAP would normally apply. However, Wisconsin case law pertaining to eminent domain states that "evidence of net income is ordinarily inadmissible for purposes of establishing property values in condemnation cases involving commercial enterprises because income is dependent upon too many variables to serve as a reliable guide in determining fair market value." Source: Rademann v. DOT, 2002, WI App 59, 252 Wis.2d 191, 642 N.W.2d 600, 00-2995. In accordance with Wisconsin case law, the Income Capitalization Approach has been omitted from this appraisal report.
- Example 2: Based on a Wisconsin Supreme Court decision in Leatham Smith Lodge, Inc. vs. State of Wisconsin (1980), the income approach is considered inapplicable in eminent domain valuations (so long as sufficient market data is available). Therefore the income approach will not be developed in this appraisal report. The omission of the income approach is not considered to be misleading or inappropriate for this valuation assignment.

### 2.6.2 Definitions

Appraisal - A written statement independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by the presentation and analysis of relevant market information. See 49 CFR Part 24.2(a)(3).

Larger parcel - In condemnation, that portion of a property that has unity of ownership, contiguity and unity of use. These are the three conditions, which must be present to establish the larger parcel for the purpose of considering the extent of severance damages in most states.

Scope of work - The amount and type of information researched and the analysis applied in an assignment. Scope of work includes, but is not limited to:

- Description of appraisal problem;
- Degree to which property is inspected or identified;
- Extent of research into physical or economic factors that could affect property;
- Extent of data research; and,
- Type and extent of analysis applied to arrive at opinions or conclusions.

See definitions for Fair Market Value, Part Taken and more explained in greater detail below; also see REPM/Definitions section.

### 2.6.3 Classifications of WisDOT Appraisals

The department accepts these appraisal formats:

- Appraisal Report Short Format Summary (RE1005)
- Appraisal Report Short Format Surplus Parcel (RE1006)
- Appraisal Report Standard Detailed Format Before & After (RE1007)
- Appraisal Report Standard Detailed Format Surplus Parcel (RE1008)

According to USPAP standards (USPAP Standard 2-2), each appraisal must identify whether it is self-contained or summary. WisDOT does not accept restricted appraisals, except for surplus land appraisals. See Section 6.5 of this manual for more about surplus lands and appraisal. Each type of appraisal, its appropriate use, and the necessary components are described in the sections below.

### 2.6.4 General Requirements for all Appraisals

Property owner contacts and property inspection - Before the initiation of negotiations, the real property to be acquired shall be appraised and the owner, or the owner's designated representative, shall be given an opportunity to accompany the appraiser during the appraiser's inspection of the property. State law requires that the owner be given the right to accompany the appraiser on an inspection of the property. This can be accomplished by having the appraiser contact the owners for an appointment or the offer can be made in a general letter sent to the owner(s) allowing them to decide if the joint inspection is necessary. The appraiser must make all reasonable attempts to contact the owner, including sending a certified letter if necessary. The letter should explain that the appraiser will be looking at and taking photos of the area and should ask for their input regarding any underground or nearby improvements that could be affected. The owners shall be asked to write or call by a specified date if they want a joint inspection or conference. During the inspection, enough detail should be recorded in notes

and photographs so that it can later be used to prepare a full before and after appraisal if the property is acquired through an Award of Damages and the property owner appeals. On very simple acquisitions, the extent of inspection should reflect the complexity of the acquisition.

Jurisdictional exception - USPAP includes a Jurisdictional Exception Rule. This rule enables an appraiser to comply with all applicable state and federal laws and regulations, even if there is an inconsistency between these and USPAP. If any applicable law or regulation precludes compliance with any part of USPAP, only that part of USPAP becomes void for that assignment. In these cases, the appraiser must:

1. Identify in the report, the law or regulation that precludes compliance with USPAP;
2. Comply with that law or regulation;
3. Clearly state in the report that part of USPAP that is voided by the law or regulation.

Appraisal performed for federal and federally assisted real property acquisition must follow the requirements in this manual, which conform to 49 CFR 24.

### 2.6.5 Appraisal Report Short Format Summary

The Appraisal Report Short Format Summary (RE1003) can be used for non-complex acquisitions where the acquisition is less than \$10,000. These types of acquisitions are considered nominal acquisitions and the corresponding appraisal used to acquire them is sometimes called the short format summary appraisal. It is written in a short summary style for convenience and to expedite the project. Examples of non-complex acquisitions include:

- Parcels that include minor out-buildings, wells, septic systems, driveways or items of landscaping or other improvements that can be valued by the cost approach, or as in the case of landscaping, the contributory value method. See Section 2.7 of this manual for a discussion of special improvements.
- Parcels that include vacant land or land with minor improvements and damages to the remainder can be measured by a cost to cure that is economically justified and does not result in betterment.
- Parcels where damages to remaining land do not exceed \$5,000 and can be simply explained.
- When damages do not result in a change of highest and best use.
- Where the sales comparison approach can be used to determine the fair market value, with only minor adjustments.
- Whole or partial strip acquisitions < \$10,000.

The purpose of the Appraisal Report Short Format Summary (RE1003) is to provide the property owner a value estimate for noncomplex acquisitions that have a value of \$10,000 or less, and a very brief summary of the value findings regarding the proposed acquisition supported by the appropriate level of market research, while at the same time avoiding excessive, unnecessary reporting documents. All Appraisal Report Short Format Summary (RE1003) forms must be supported by a Project Data Book (PDB) of sufficient market research to credibly report a value of the property being acquired. See Section 2.5 of this manual for a discussion of PDB requirements. The Appraisal Report Short Format Summary (RE1003) may be used when owners are unwilling to sign a Nominal Payment Parcel - Waiver of Appraisal Recommendation and Approval (RE1897), if the parcel is non-complex and the value is less than \$10,000. See Section 2.10 of this manual for discussion of waivers of appraisals. The

Appraisal Report Short Format Summary may also be used when the parcel is non-complex and less than \$10,000 in value, but the region is facing a tight timeframe and needs to initiate the real estate process with an appraisal. However, if a property owner has serious doubts about the effect of the acquisition on the value of the remaining property, an Appraisal Report Standard Detailed Format Before & After (RE1007), should be considered.

Minimum requirements for Appraisal Report Short Format Summary (RE1003):

1. A before value of the property based on market sales or the equalized assessment must be given. Caution: When using the assessment be careful to present it only as the assessment.
2. An acceptable Project Data Book (PDB) needs to be prepared, see Section 2.5 of this manual for PDB requirements. A waiver of this requirement may be considered under certain circumstances.
3. Fairly consistent unit prices, for the various categories, with few adjustments work best.
4. Land types must be categorized and conclusions rendered in the PDB.
5. Appraisal Report Short Format Summary (RE1003) must be completed (with applicable sales attached).

### 2.6.6 Standard Abbreviated Appraisal Format

The Standard Abbreviated Appraisal Format is the most commonly used format for WisDOT acquisitions. The Standard Abbreviated is developed by using our sample Appraisal Report Standard Detailed Format Before & After (RE1007) and deleting those sections that are not necessary to solve the appraisal problem. Most often, this means that the after value components are not included in a Standard Abbreviated report. The Standard Abbreviated is used in appraisal situations where the appraisal problem is too complex for the Appraisal Report Short Format Summary (RE1003), but does not require a Appraisal Report Standard Detailed Format Before & After (RE1007). Situations typically appropriate for the Standard Abbreviated Appraisal Format include:

- Acquisition of entire property.
- Acquisition where part to be acquired could be sold as a “separate entity” and can be separately appraised.
- Strip type acquisition where same unit value (i.e., dollars per acre or dollars per square foot apply to both before and after valuations).
- There are no damages to remaining property or damages are not substantial. A separate market analysis of after value is not required.

A complete narrative description of the property being appraised and a detailed analysis of value are required. A comprehensive after analysis is not required in the Standard Abbreviated Appraisal because there is either no remainder or there are no significant damages to the remainder.

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#### Categories & Levels of Standard Abbreviated Appraisal Format

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##### Category 1 – “Vacant Land Report”

This category includes both vacant land and improved properties where the buildings are not affected by the acquisition and need not be appraised. Sales of comparable improved properties are not required. This category includes acquisitions where land values are

difficult to establish so the Appraisal Report Short Format Summary (RE1005) is not appropriate. Market sales are not readily available and/or require considerable adjustment. Examples might be properties where highest and best use is not readily ascertained, land is in transition from the existing use to a higher and better use or good comparable land sales are not readily available. Damage to the remaining property is not substantial so a complete separate after analysis is not required.

#### Category 2 – “Improved Property Report”

- *Level 1:* Complete acquisition of relatively non-complex, improved properties. Examples include: residential properties, taverns, repair shops, small retail outlets, and hobby farms, and other similar properties. Since the acquisition consists of the entire property, an after value is not needed.
- *Level 2:* Complete acquisition of improved properties of greater complexity than those properties described in Level 1 and where comparable sales are not usually available. Examples would include manufacturing facilities, dairy farms, motels, supper clubs, specialty properties such as churches or schools and multiple use properties.

### 2.6.7 Appraisal Report Standard Detailed Format Before & After

The Appraisal Report Standard Detailed Format Before & After (RE1007) is required when the appraisal problem is complex in nature and a complete detailed before and after appraisal is necessary. It is applicable to parcels classified as major or complex, both vacant and improved, in the Real Estate staffing matrix. The Standard Detailed Before & After is required in appraisal situations where damages to the remaining property are so substantial that a complete analysis of the after value is required in addition to the analysis of the before value. It is, in effect, two appraisals in one report. The contents of the Standard Detailed Before & After will depend upon the complexity of the appraisal problem. A Standard Detailed Before & After must also be used when neither the Short Format Summary (RE1005) nor the Standard Abbreviated Appraisal formats are appropriate. The following is a list of typical examples of complex acquisitions, where the Appraisal Report Standard Detailed Format Before & After (RE1007) would be required:

- Acquisitions that cause a change of highest and best use.
- Acquisitions where land value is not apparent from the initial analysis of market.
- Appraisals needing more explanation than can be provided on the Appraisal Report Short Format Summary (RE1005) or Standard Abbreviated Appraisal format.
- Appraisals with cost to cure that are not obvious or economically justified.
- Commercial properties other than bare land with no damage to remainder.
- Industrial properties other than bare land with no damage to remainder.
- Land only acquisitions that include extensive or unique landscaping (i.e., trees, shrubs, walkways, etc.).
- Partial takes that cause severance damage to improvements due to proximity, change of grade, reduced utility, etc.
- Partial takes that cause severance damage to land over \$5,000 for items such as access control, land locking, reduced size, irregular shape or where uneconomic remnants result.
- Partial takes that cause significant damages or benefits to remainder.
- Properties that require a specialty report.
- Properties where the cost or income approach may be relied on or weighed heavily in the reconciliation.
- Properties with improvements not in harmony with highest and best use of the land.

- Residential properties with unique features not normally found in the market.
- Special purpose properties.
- Transitional properties where highest and best use is changing.

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#### Categories & Levels of Standard Detailed Format before & After

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These examples of categories and levels of the Standard Detailed Before & After appraisal are to assist in making the choice as to which appraisal format should be used:

#### Category 3 – “Vacant Land Report”

This category includes both vacant land and improved properties where buildings are not affected by the acquisition and need not be appraised. Sales of comparable improved properties are not required. Acquisitions in this category include substantial reductions in value to the remaining land so that a complete after land value analysis is required separate from the before land value analysis. Examples of damages might be change of grade, restriction of access, reduction in size, change in shape, and change in highest and best use.

- *Level 1:* Acquisitions where highest and best use is obvious and land value is readily determined from comparable sales. The building improvements are not affected by the acquisition and need not be appraised. The acquisition may include minor land improvements such as landscaping, driveway, wells and septic systems. What differentiates this appraisal type from the Standard Abbreviated Appraisal format is that damages to the remaining land are so substantial that a complete analysis of after value of the land is required separate from the analysis of before value of the land.
- *Level 2:* Acquisitions where land values are difficult to establish. Examples might be properties where highest and best use is not readily ascertained, land is in transition from the existing use to a higher and better use or good comparable sales are not readily available. Substantial damages to the remainder would still occur. Although difficult to determine from comparable sales, a separate after analysis and land valuation would be required.

#### Category 4 – “Improved Property Report”

This category includes improved properties where the buildings are not acquired but are adversely affected by the acquisition and must be appraised. Comparable sales of improved properties are required. An analysis of after value is required separate from the analysis of before value. In most cases different comparable sales should be used to document the after value. In all cases and especially when different comparable sales are not available, a complete rationale for the damages to the remaining property is required.

- *Level 1:* Residential properties of four units or less. Damages to the remaining property require analysis of the after value. A typical example would be damage to a single-family residence caused by proximity to a heavily traveled highway.
- *Level 2:* Improved properties other than small residential properties of four units or less which are adversely affected by the acquisition and must be appraised on a before and after basis. Sales of these type properties occur on a regular basis in the market. Examples would be loss of parking from small business properties, restriction of access to small business properties, loss of cropland from farm operations and similar situations.

- *Level 3:* Complicated acquisitions from large farms, businesses, manufacturing or unique special purpose properties where the acquisition severely affects the site and improvements. Sales of these type properties are very infrequent in the market. Examples would be loss of substantial parking from a shopping center, interference with a manufacturing facility, and other similar situations. Substantial takings from special purpose properties such as a school playground or a golf course are also considered complex as are highway relocations that split large farming operations.

What differentiates Level 3 from Level 2 is that the properties are more difficult to appraise in the before condition because the properties are more unique and good comparable sales are not readily available; or, the damage to the remainder is more difficult to substantiate or a combination of both appraisal problems. Minimum requirements for the Standard Before & After (or Detailed) Appraisal format are outlined in the following sections. The areas that must be included are those that may have an effect on the property. The detail of information will vary depending on the complexity of the appraisal problem. If the property's after value is not affected, don't include an analysis of the after condition. If the property's building improvements will not be affected by the project, it is not necessary to give a detailed description of the buildings or do a comparison and analysis of the property's improvements. Details of the contents for the individual appraisal report will depend upon complexity of the appraisal problem. The Appraisal Problem Analysis (APA) (RE1004) will be useful in determining complexity of the problem. The report, however, must conform to the general appraisal report standards for complete narrative appraisals published by USPAP and it must be consistent with federal (49 CFR 24.103(a)) and state ([s. 32.09, Wis. Stats.](#)) laws and regulations.

### 2.6.8 Instructions for Appraisal Report Standard Detailed Format Before & After

The example that follows is an Appraisal Report Standard Detailed Format Before & After (RE1007). Reminder: Protocol for deciding the degree of detail and areas that need to be included in the report is - if the highway acquisition does not affect something on the property (i.e., buildings), it is not necessary to give a detailed description of the buildings or do a comparison and analysis of the property's improvements. This format can be used for both the Standard Detailed Before & After appraisal and the Standard Abbreviated appraisal. When conducting a Standard Abbreviated appraisal, delete those sections of the Standard Detailed Before & After example that are not necessary to solve the appraisal problem. Most often, this means that the after value components are not included in a Standard Abbreviated appraisal. The bottom of each appraisal page must identify the project ID, page number and parcel number. The order of the sections and valuation methods are mandatory.

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#### Appraisal Report Standard Detailed Before & After (RE1007) or Standard Abbreviated Format

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##### Table of Contents\*

1. Executive Summary
2. Parcel Description
3. Scope of Work
  - a. Purpose of Appraisal Report, Intended Use and Intended User
  - b. Type and Definition of Value

- c. Estate being Appraised/Relevant Property Characteristics
- d. Effective Date of Appraisal
- e. Assumptions and Limiting Conditions
4. Certificate of Appraiser
5. Project Information
6. Area and Neighborhood Data
7. Subject Property Information
8. Comparable Sales
9. Vacant Land Value Before Acquisition
10. Explanation of Adjustments
11. Conclusion of Vacant Land Value Before Acquisition
12. Vacant Land Value after Acquisition
13. Explanation of Adjustments
14. Conclusion of Vacant Land After Acquisition
15. Value of Improved Land Before Acquisition
16. Explanation of Adjustments
17. Conclusion of Value of Improved Land Before Acquisition
18. Value of Improvements After Acquisition (not required for Abbreviated format)
19. Explanation of Adjustments for Improvements after Acquisition
20. Conclusion of Value After Acquisition
21. Total Damages and Allocation
22. Property Sketch
23. Photographs
24. Sales Location Map
25. Sales Data Sheet or Comparable Sales Sheet
26. Appraiser's Qualifications

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## 1. EXECUTIVE SUMMARY

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The executive summary should include a summary of the subject property, the appraisal problem being addressed, the approach to value used in the appraisal, and the fair market value as determined by the appraiser, based on information in the appraisal.

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## 2. Parcel Description

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The parcel description *must* include:

1. Property owner (owner's name).
2. Property address (where property is located).
3. Owner's address (address where owner lives).
4. Phone (owner's telephone number).
5. Size and type of property (a brief synopsis of type and size of property, excluding any easements; also include whether or not property has improvements or is vacant).
6. Sales history (include any sales in last five years and last sale of subject property).
7. Volume and page, grantor, grantee, sale, date and price.
8. Present use (either as vacant or improved).
9. Zoning (summary of present zoning).
10. Highest and best use - before (prior to the acquisition or project) and after (following the acquisition or project).

11. Area and interest to be acquired (land fee as described on R/W plat).
12. State if full acquisition or partial acquisition.
13. Existing right of way/no compensation (area described on R/W plat).
14. Improvements (list all major and minor improvements in acquisition area)
15. Other interests (permanent, temporary easements, access rights, etc. from plat, as shown on the right of way plat sheets. Include page numbers from plat, and plat date. Total assessment divided by tax rate).

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### 3. SCOPE OF WORK

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The appraisal report must include a scope of work. The scope of work is a written statement agreed upon by the appraiser and the agency describing the appraisal work the appraiser is to do. The scope of work defines the general parameters of the appraisal. In the scope of work the appraiser must identify the problem to be solved. This identification requires an explanation of the elements of the assignment that specifically identify the problem that appraiser sets forth to resolve. The appraiser must explain the research necessary for a credible report and the process to arrive at a credible solution. If the typical appraisal would include all three types of valuation, the appraiser would cite the jurisdictional exception, and explain the processes considered in the appraisal. If the typical appraisal would not use a specific approach, the appraiser would make this determination and state it clearly. The appraiser is contracted by the department to appraise a parcel by using the Appraisal Report Short Format Summary (RE1005), Short Format Surplus Parcel (RE1006), Standard Detailed Format Before & After (RE1007), Appraisal Report Standard Detailed Format Surplus Parcel (RE1008), or the Standard Abbreviated appraisal format. These formats each require a degree of research and analysis the department has determined will be necessary for the appraisal problem. However, the appraiser must be aware that USPAP requires:

*“An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use. An appraiser must not allow the intended use of an assignment or a client’s objectives to cause the assignment to be biased.”*

The scope of work shall reflect the needs of WisDOT and the requirements of federal and federally assisted appraisal practice. It should be developed cooperatively between the appraiser, regional Real Estate staff or management, and the review appraiser for the project or parcel. The scope of work defines the complexity of the appraisal. In all cases, it should describe what the appraiser and WisDOT are each to do, and what is the mutually expected outcome of the appraisal assignment/contract. The Appraisal Problem Analysis (APA) (RE1004), if completed, may contain relevant information for this section. The scope of every appraisal assignment includes an investigation of the market area to discover factors affecting property value, a search of the market area for sales of comparable property, an analysis and determination of the highest and best use of the subject, an inspection of the subject property to determine the physical characteristics of the land to be acquired and any improvements that are being acquired or affected. The scope of work must consider the requirements in 49 CFR Part 24.103(a)(1) through (5), and address them as appropriate. In developing the scope of work, the appraiser must consider:

1. What are the concerns of the department?
2. What actions would peers\* of the appraiser take in performing actions under a similar type of assignment?

\* Peers, in this case, would be defined as appraisers who do eminent domain appraisal work on a regular basis.

The scope of work *must* include:

- a. Elements of the assignment/intended use - Sample language: "This appraisal is being prepared for the Wisconsin Department of Transportation, the intended user, to estimate fair market value to be used in the determination of just compensation for the acquisition of real property interests for a transportation project. A copy of the report will be given to the property owner as required under [s. 32.05, Wis. Stats.](#) compensation due to the owner for the acquisition of property and property rights, as indicated above. This shall be done in accordance with the provisions of [s. 32.09, Wis. Stats.](#), which state that compensation shall be based on market value. The owner may have their own appraisal prepared." The Appraisal Problem Analysis (APA) (RE1004), if completed for the parcel, should be referred to when writing this section.
- b. Type and definition of value - The appraiser should discuss the approaches to value used or not used with specific reasoning for their inclusion or exclusion. As a matter of public policy with consideration given to federal regulations, WisDOT may limit the analysis to include the sales comparison approach only if it is determined that this approach will be adequate to yield credible results. Only those valuation approaches that are applicable should be included in the report. The appraisal should consider the unencumbered fee simple estate of the real property only as basis for all value components of the report. Any encumbrances that affect the market value of the property should be fully described. Personal property should not be included in the reported value. Fixtures atypical to the property type, if any, should be itemized and valued separately.

*Fair market value definition* -- Fair market value is defined as the most probable price which a property would bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under the following conditions:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and,
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

[Section 32.09\(5\)\(b\), Wis. Stats.](#), states: Any increase or decrease in fair market value of real property prior to the date of evaluation caused by the public improvement for which the property is acquired, or by the likelihood that the property would be acquired for such improvement, other than physical deterioration within the reasonable control of the property owner, may not be taken into account in determining just compensation for the property.

*Larger parcel and separate entity definition* -- The appraiser is to define the larger parcel for the given appraisal assignment. Larger parcel is an important concept unique to

condemnation appraisals and is important in the appraisal problem definition and scope of work considerations. The larger parcel is typically defined in relation to contiguity, unity of use, and unity of ownership. In relative terms, the appraiser must consider the larger parcel in the follow terms, as well, contiguity or proximity as it bears on the highest and best use of the property, unity of ownership, and unity of highest and best use. The property's highest and best use, for purposes of just compensation will be its most advantageous use as actually affects the present market value. In most cases the larger parcel is all of one parcel defined by the right of way plat. However, the larger parcel may be part of a parcel or several parcels, depending to varying degrees on unity of ownership, unity of use and contiguity.

*Part taken (separate entity test)* -- For a partial taking other than an easement, [s. 32.09, Wis. Stats.](#), requires WisDOT to pay the greater of either the fair market of the property taken or the difference in the before and after values. If the value of the part taken would result in a higher value because, (a) area acquired could be a building site or (b) area acquired could have a higher value on its own independent of the larger parcel, a separate valuation section entitled "Part Taken" should be developed. See Section 2.2 of this manual for guidance. The appraiser should make a statement here as to applicability of this statutory requirement to the appraisal assignment.

- c. Estate being appraised and relevant property characteristics - A full explanation of the rights or interests being appraised must be included here.
- d. Effective date of appraisal - Most often, this will be the date of inspection.
- e. Assumptions and limiting conditions - The appraiser may, if relevant, include limiting conditions that are appropriate to the appraisal problem. If there are extraordinary assumptions or limiting conditions, the appraiser should discuss them in the scope of work with emphasis. The scope of work must also acknowledge compliance with URA appraisal requirements.

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#### 4. CERTIFICATE OF APPRAISER

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At a minimum, this language *must* be included and *must* be signed by the appraiser:

"To the best of my knowledge and belief, the statements contained in the appraisal report are true and the information upon which the opinions expressed herein are based is correct, subject to the limiting conditions herein set forth:

- This appraisal has been made in conformity with appropriate Wisconsin Statutes, regulations, policies and procedures applicable to the appraisal of right of way. To the best of my knowledge, no portion of the value assigned to this property consists of items that are non-compensable under Wisconsin laws.
- The statements contained in this report are true and correct. The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Neither my compensation nor my employment are contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount

of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.

- Any decrease or increase in the market value of the real property prior to the date of valuation caused by the public improvement for which this property is to be acquired, or by the likelihood that this property would be acquired for such improvement, other than that due to physical deterioration within the reasonable control of the owner, was disregarded in determining compensation for this property.
- My analyses, opinions and conclusions were developed, and this report has been prepared in compliance with the Uniform Act, and is consistent with the Uniform Standards of Professional Appraisal Practice (USPAP).
- No one provided significant real property appraisal assistance to me in making this report, unless noted. I have not revealed the findings and results of this appraisal to anyone other than the proper officials of the acquiring agency or the Federal Highway Administration and I will not do so until authorized by said officials, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings. I have not given consideration to nor included in this appraisal any relocation assistance benefits.
- I have not given consideration to nor included in this appraisal any relocation assistance benefits.”

On \_\_\_\_\_, I invited \_\_\_\_\_ (verbally in writing) to accompany me on an inspection of the property. My invitation was accepted rejected. On \_\_\_\_\_, I made a personal inspection of the property. I have made a field inspection of and verified the sales relied upon in making this appraisal. The subject and sales relied upon in making this appraisal are as represented in this appraisal. It is my opinion that as of \_\_\_\_\_, the total loss in market value to the property herein described is: \_\_\_\_\_.

\_\_\_\_\_  
(Appraiser's name / date / level of certification)

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## 5. PROJECT INFORMATION

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Project information is a brief discussion of the type of construction to be accomplished for which the following acquisition is necessary. Much of the information is available from the design study report, plans and cross sections, or directly from the design staff of the region involved. Include such things as:

1. Grade changes.
2. Relocation of part or the entire existing highway.
3. Major changes in traffic pattern including any anticipated detours or other significant impacts that may occur which would influence area or neighborhood where project is taking place.

The appraiser may refer to the Project Data Book (PDB) and exclude this narrative from the appraisal report in the Standard Abbreviated Appraisal format if the construction of the proposed project does not enhance or cause damages to the remaining property.

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## 6. AREA AND NEIGHBORHOOD DATA

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Show what economic, physical and social trends are at force in the market area of the subject property. In this area, the appraiser needs to report only appropriate data that directly affects

the value of the subject property. The type of data used in this area depends on what type of property is being appraised. On projects where there are a number of standard appraisals required for similar type properties, the same general area analysis can be used in each report. If properties or neighborhoods vary, the analysis should be modified to fit the specific neighborhood and subject property. The data in this section should be organized from general to specific. The type of data that should be considered for this section is:

- Location in regard to county, city or village.
- Path of development.
- Policies of local government that affect value, such as recent annexations and willingness to extend utilities.
- Population and growth trends.
- School district boundaries that affect on demand and value.
- Sewer district boundaries that affect property values.
- Sub areas within market area with different taxation policies that affect value.
- Subsoil conditions in an area that affect land use.
- Transportation linkages and availability of public transportation.
- Typical use of land in area and projected changes in use.

The neighborhood section of this analysis should more directly relate to how the subject fits into the general area by stating where the property is located in the area and what the adjacent land uses are (along with any changes occurring or predicted that affect the value of the subject). The appraiser may refer to Project Data Book (PDB) and exclude this narrative from the appraisal report in the Standard Abbreviated Appraisal format if neighborhood dynamics are not causing major adjustments to comparable sales utilized.

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## 7. SUBJECT PROPERTY INFORMATION

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The appraisal must adequately describe the subject property and include:

Site - Items that may be appropriate to report under site are shape, amount of frontage, grade along frontage, drainage characteristics and access. On farm properties, the site description is an overall description of the total land of the farm. This should include an acreage breakdown of road R/W, cropland, pasture, woods, lowland and building sites. The field layout entrances and driveways should be explained. Field drainage ditches and tile should be reported in detail if affected by the acquisition. The predominant soil types should be given. If there are any sand, gravel or mineral deposits of value in the acquisition area, these should also be reported. These items are valued on a per acre basis from sales of other properties purchased to extract the sand, gravel or minerals.

Legal description - A reference to volume and page of the local registry, reference to the plat, when it contains such information, or a very brief statement of the legal description, such as reference to the recorded plat of the property. Detailed metes and bounds descriptions are time consuming and mostly irrelevant for the purpose of the appraisal and should be avoided whenever possible.

Assessment and taxes - Indicate the current equalized assessment for the subject property, including a separate assessment of land and improvements and a total of both. The tax assessment ratio should also be reported. An indicated before value based on assessment could be reported here if a Standard Detailed Before & After appraisal is not on the subject

property. This should include all of the major physical dimensions, conditions and other attributes that would have an influence on the value of the various buildings (dwellings, barns and other outbuildings). The amount of detail needed will depend on if the buildings are being valued in the appraisal because they are being acquired or just affected by the acquisition. If a building is being acquired, a complete description is needed. When buildings fall outside the R/W area, but may be affected by the highway acquisition, the detail of description will vary depending on the situation. The distance to the R/W line should be given if the building is already close or if there is a zoning required setback. These items can be listed in a tabulation format rather than a narrative. The tabulation is preferred because it will generally take less time to list and report and will be easier to read. Often a combination of listing the basics and a short narrative of items not conclusive to listing (remodeling, extent of insulation or weatherization, special features) will be most appropriate. The following listings are not intended to be a complete menu of items, only examples:

- Agricultural buildings (i.e., barns): age, size, type, additions, number and type of stanchions, water, electricity, barn cleaner, special feeding systems, pipeline milking, condition, etc.
- Commercial or industrial structures: age, size, height, type, interior/exterior finish and condition, basement, special equipment, heat, special construction features, comment on usefulness, condition, etc.
- House: age, ground and second floor areas, total living area, basement, room count, interior/exterior finish and condition, type of heat, special features, condition, etc.

Site or other improvements - This would include other fixtures or improvements that would lend or detract from the value of the property. Be sure to cover all items of improvements that lie in the acquisition area and comment on their condition. Some of these items could be, but are not limited to:

- Concrete and blacktop driveways.
- Fencing (location, type, age and condition).
- Fixtures and other equipment, see topic 2.4.2.3.1 for more information.
- Landscaping (general description and quality).
- On premise signs.
- Planters.
- Septic system (location and type).
- Sewer and water.
- Sidewalks.
- Underground wiring.
- Well (location, depth and type).

Zoning - Priority should be given to discussing the minimum size of the lot in relation to its zoned highest and best use with a statement covering the minimum setback from centerline and R/W line from all roads involved. A short paragraph would suffice unless there are some limiting or unusual restrictions or covenants, which, it is believed, would affect value.

Highest and best use - State the most likely highest and best use of the property at the date of the appraisal. This should be based on its most valuable utilization in considering its legal, physical, and economic attributes in its location. Discuss interim use if highest and best use vacant is different than improved. The reasonable probability of rezoning must be discussed here if the appraiser values the land under that premise and the land has not been rezoned to a more intense use as of the date of appraisal. The property's most advantageous use with

respect to present market value must be discussed. See scope of work and Section 2.8.1 of this manual for more on determining highest and best use.

Larger parcel - The larger parcel as addressed in the scope of work should be emphasized here as it relates to the highest and best use. The appraiser is to comment on the “most advantage use” as it relates to eminent domain appraisal problems (see scope of work).

Acquisition - Describe, in detail, the land type(s) and whether they are to be acquired in fee or permanent easement. If there will be any temporary interests or construction permits, state the reason they are needed, for what length of time they are needed and what changes will take place in these areas. List in detail, any improvements located on the land being acquired. Note any access restrictions. Indicate the location and relationships of the acquisition area to the rest of the property. State the amount of existing R/W being acquired and that there is no monetary consideration for it.

Remainder / after analysis - Discuss the condition of the property following the acquisition and completion of the project. Describe any changes to the site and/or improvements including the reduced size of the property. Include an analysis of its highest and best use. Explain construction details as they affect the subject. List the effects of the acquisition on the subject property and comment briefly on each. Include the following if applicable:

1. A statement that acquisition or restriction of access will or will not cause damage to remainder and why.
2. Effect of the loss of improvements or ancillary structures on remainder.
3. Effects that may have taken place as a result of R/W line shifts, centerline migrations, or grade changes, etc.
4. List number and location of driveways or field entrances and whether they will be reconstructed at no expense to owner or paid for in the appraisal.
5. Explain reasoning and support for any damages to remainder. For example:
  - An analysis of highway grade, especially at entrances and reasons why a grade change will or will not cause damage.
  - Describe any severed or landlocked parcels and uneconomic remnants that are left and how their value is affected.
  - Explain items that are handled on a cost to cure bases (relocation of septic, drives, or other movable items). If a cost to cure is utilized, it must be economically justified.
  - If proximity damage is considered, give the distance to the structure from both the centerline and highway R/W line and state the reason why you think the value of the improvement is reduced.
  - If severance damage is considered, describe area of the property that will have a lower value and explain why.

Damages - Relate the items which have resulted in a loss of market value to the property from the acquisition as indicated by the changes between the before and after condition of the subject. These would include, but are not limited to, the loss in value of the land and improvements acquired, landscaping and ancillary improvements, as well as losses due to proximity damages resulting from setback changes, change of grade, etc.

Special benefits - Describe any betterment's or special benefits which have the effect of increasing the value of the property remaining. These benefits may be used to offset other

damages, land and improvements acquired. The added value of betterment should be based on its contributing market values, not cost.

Separate entity - In a partial acquisition appraisal, the appraiser must consider the value of the part taken as a separate entity. The just compensation is the greater of the value produced by the before and after analysis or the value of the parcel as a separate entity.

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**8. COMPARABLE SALES**

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A discussion of each of the comparable sales, which are attached as an addendum to the appraisal report, should be included at this point. Such items as sale date, sale size, sale price, price per unit, allocation of improvements, etc., should be addressed. These may be presented in a narrative or grid format. A sample comparable sales grid follows:

Sale Number	Sale Date	Sale Size	Sale Price	Improvements	Unit Price
MTG-1	11/28/95	26 acres	\$10,000	-\$3,000	\$269.23
TWC-4	01/06/95	35 acres	\$11,115	-\$3,800	\$209.00

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**9. VACANT LAND VALUE BEFORE ACQUISITION**

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In order to arrive at an estimated range of value for the subject property, the following comparison between the subject and sales is used. In this columnar grid, the sales will be compared to the subject. When the subject is better than the sale in a given area, a plus (+) adjustment will be used in the grid. Conversely, when the subject is worse than the sale in a given area, a minus (-) adjustment will be used. The adjustment categories will depend on the type of property being appraised. A dollar adjustment or a percentage adjustment is strongly recommended.

ADJUSTMENT GRID – “Before” Acquisition				
Property	Subject	Sale #	Sale #	Sale #
Sale Price				
Sale Date				
Property Rights*				
Financing Terms*				
Conditions of Sale*				
Expenditures Made Immediately After Sale*				
Market Conditions (time)*				
Adjusted Sale Price				
Location				
Topography				
Utilities				
Access				
Size/Shape				
Other (describe)				
Total/Adjustments				
Indicated Value of Subject				

\*These items must be analyzed in sequence

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**10. EXPLANATION OF ADJUSTMENTS**

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Comparative analysis is the general term to identify the process in which quantitative and/or qualitative techniques to derive a value indication in the sales comparison approach. These adjustments are not mutually exclusive. Each adjustment in the previous grid requires a brief explanation of what it was for, how it was applied, and why it was necessary. This is required for each adjustment category, even when a zero adjustment is applied. This explanation must establish the reasonableness of the adjustment. It must be tied to some recognized physical evidence or logical reasoning such as a paired sale analysis. There has been some confusion as to the appraisers' use of adjustments in the narrative appraisal. The issues arise from the explanations for adjustments that do not appear to be market data driven. The market recognizes two types of adjustments in the narrative report. The first is the quantitative adjustment, which can be measured in the market through paired sales analysis, statistical analysis, mathematical analysis, grouped data analysis, graphic analysis, cost analysis, direct comparisons, capitalization of income, direct capitalization, or some other quantifiable process. Quantitative adjustments are either dollar adjustments or percent adjustments. The appraiser explains in depth the process used to arrive at and make the adjustment. These adjustments are market driven and it is the appraiser's responsibility to explain the quantification process and the corresponding adjustment. The second type of adjustment is the qualitative analysis. This type of adjustment is used only when adequate market data does not exist. This adjustment process relies on relative comparison analysis, ranking analysis, and personal interview. These adjustments are based on opinions and are not quantifiable. They result in small adjustments relating to superior, inferior, etc. qualities. At times they result in a weighted average for value determination. When appraisers use both types of adjustments, the qualitative adjustments must be made first. The appraiser must recognize that when they use these types of adjustments, they will often require more extensive narrative discussion to explain the reasoning. When using the qualitative analysis, it is critical that the appraiser bracket the subject. Bracketing the subject with superior and inferior sales avoids the tendency to merely be demonstrating that a property is worth more than a certain number or less than a certain number.

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#### 11. CONCLUSION OF VACANT LAND VALUE BEFORE ACQUISITION

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Utilizing the range of value established in the above grid, the appraiser must conclude a value within that range. A statement of why a particular adjustment value was chosen must accompany this decision. A simple appraisal problem may be concluded with the calculation of the value of the part taken as a part of the whole. This calculation is needed if it is anticipated that there may be damages or benefits to the remainder as a result of the acquisition. In this case the value of the remainder as a part of the whole should be calculated which is the simple mathematical difference between the before value of the site and the value of the part taken as part of the whole.

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#### 12. VACANT LAND VALUE AFTER ACQUISITION

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This section is only required for the Appraisal Report Standard Detailed Format Before & After (RE1007). In order to arrive at an estimated range of value for the subject property, the following comparison between the subject and sales is used. In this columnar grid, the sales will be compared to the subject. When the subject is better than the sale in a given area, a plus (+) adjustment will be used in the grid. Conversely, when the subject is worse than the sale in a given area, a minus (-) adjustment will be used. A typical grid follows. This method would normally be used if severance damage or special benefits were anticipated to occur to the land. The comparable sales used should be similar to the subject in the after condition and will likely

not be the same sales that were previously used to value the before condition. Individual remnants should be valued separately, as they contribute to the remainder.

ADJUSTMENT GRID – “After” Acquisition				
Property	Subject	Sale #	Sale #	Sale #
Sale Price				
Sale Date				
Property Rights*				
Financing Terms*				
Conditions of Sale*				
Expenditures Made Immediately After Sale*				
Market Conditions (time)*				
Adjusted Sale Price				
Location				
Topography				
Utilities				
Access				
Size/Shape				
Other (describe)				
Total/Adjustments				
Indicated Value of Subject				

\*These items must be analyzed in sequence.

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### 13. EXPLANATION OF ADJUSTMENTS

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Comparative analysis is the general term to identify the process in which quantitative and/or qualitative techniques to derive a value indication in the sales comparison approach. These adjustments are not mutually exclusive. Each adjustment in the previous grid requires a brief explanation of what it was for, how it was applied, and why it was necessary. This is required for each adjustment category, even when a zero adjustment is applied. This explanation must establish the reasonableness of the adjustment. It must be tied to some recognized physical evidence or logical reasoning such as a paired sale analysis. There has been some confusion as to the appraisers’ use of adjustments in the narrative appraisal. The issues arise from the explanations for adjustments that do not appear to be market data driven. The market recognizes two types of adjustments in the narrative report. The first is the quantitative adjustment, which can be measured in the market through paired sales analysis, statistical analysis, mathematical analysis, grouped data analysis, graphic analysis, cost analysis, direct comparisons, capitalization of income, direct capitalization, or some other quantifiable process. Quantitative adjustments are either dollar adjustments or percent adjustments. The appraiser explains in depth the process used to arrive at and make the adjustment. These adjustments are market driven and it is the appraiser’s responsibility to explain the quantification process and the corresponding adjustment. The second type of adjustment is the qualitative analysis. This type of adjustment is used only when adequate market data does not exist. This adjustment process relies on relative comparison analysis, ranking analysis, and personal interview. These adjustments are based on opinions and are not quantifiable. They result in small adjustments relating to superior, inferior, etc., qualities. At times they result in a weighted average for value determination. When appraisers use both types of adjustments, the qualitative adjustments must be made first. The appraiser must recognize that when they use these types of adjustments, they will often require more extensive narrative discussion to explain reasoning. When using qualitative analysis, it is critical that the appraiser bracket the subject. Bracketing

the subject with superior and inferior sales avoids the tendency to merely be demonstrating that a property is worth more than a certain number or less than a certain number.

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**14. CONCLUSION OF VACANT LAND VALUE AFTER ACQUISITION**

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Utilizing the range of value established in the previous grid, the appraiser must conclude a value within that range. A statement of why a particular adjustment value was chosen must accompany this decision. If the property is vacant, total damages can be determined by subtracting the after value from the before value and the appraiser can proceed to the final allocation of damages. Damages or benefits can be determined by comparing the after value to the value of the remainder as a part of the whole that was calculated as a part of the conclusion of the before value. If the after value is lower there are damages and if it is higher, there are benefits. This method is also helpful in making the final allocation. If there are severance damages to the remainder, the appraiser must include the following statement in the final conclusion of value:

*“I have considered the property evaluated in this appraisal both from the before and after as well as the part taken. I have concluded, as of result of this comparison, that the value of the part taken does not exceed the value attained by the before and after approach.”*

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**15. VALUE OF IMPROVEMENTS BEFORE ACQUISITION**

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If the property being appraised involves a major acquisition or damage to the improvements, a grid similar to the vacant land grid, but with different items of adjustment, should be used. The following grid may be used to reflect the value of the combined land and improvements prior to the improvement project. Justification for each item of adjustment should be provided following the grid. This format should also be used in the total acquisition of an improved residential property. Items listed for consideration are only an example. The appraiser should use those items of adjustment that are appropriate for the type of property being considered.

IMPROVED GRID – “Before” Acquisition				
Item	Subject	Sale #	Sale #	Sale #
Address				
Sale Price				
Sale Date				
Property Rights*				
Financing Terms*				
Conditions of Sale*				
Expenditures Made Immediately After Sale*				
Market Conditions (time)*				
Construction Quality				
Age				
Condition				
Above Ground Room Count				
Gross Living Area				
Basement and Finished Rooms Below Ground				
Functional Utility				
Heating and Cooling				
Garage/Carport				
Porches, Patios, Pools, etc.				
Special Energy Efficient Items				

Fireplaces				
Kitchen Equipment Remodeling, etc.				
Other				
Setback, Grade, etc.				
Net Adjustment Total				

\*These items must be analyzed in sequence

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**16. EXPLANATION OF ADJUSTMENTS**

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Comparative analysis is the general term to identify the process in which quantitative and/or qualitative techniques to derive a value indication in the sales comparison approach. These adjustments are not mutually exclusive. Each adjustment in the previous grid requires a brief explanation of what it was for, how it was applied, and why it was necessary. This is required for each adjustment category, even when a zero adjustment is applied. This explanation must establish the reasonableness of the adjustment. It must be tied to some recognized physical evidence or logical reasoning such as a paired sale analysis. There has been some confusion as to the appraisers' use of adjustments in the narrative appraisal. The issues arise from the explanations for adjustments that do not appear to be market data driven. The market recognizes two types of adjustments in the narrative report. The first is the quantitative adjustment, which can be measured in the market through paired sales analysis, statistical analysis, mathematical analysis, grouped data analysis, graphic analysis, cost analysis, direct comparisons, capitalization of income, direct capitalization, or some other quantifiable process. Quantitative adjustments are either dollar adjustments or percent adjustments. The appraiser explains in depth the process used to arrive at and make the adjustment. These adjustments are market drive and it is the appraiser's responsibility to explain the quantification process and the corresponding adjustment. The second type of adjustment is the qualitative analysis. This type of adjustment is used only when adequate market data does not exist. This adjustment process relies on relative comparison analysis, ranking analysis, and personal interview. These adjustments are based on opinions and are not quantifiable. They result in small adjustments relating to superior, inferior, etc. qualities. At times they result in a weighted average for value determination. When appraisers use both types of adjustments, the qualitative adjustments must be made first. The appraiser must recognize that when they use these types of adjustments, they will often require more extensive narrative discussion to explain the reasoning. When using the qualitative analysis, it is critical that the appraiser bracket the subject. Bracketing the subject with superior and inferior sales avoids the tendency to merely be demonstrating that a property is worth more than a certain number or less than a certain number.

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**17. CONCLUSION OF VALUE OF IMPROVEMENTS BEFORE ACQUISITION**

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Utilizing the range of value established in the previous grid, the appraiser must conclude a value supported by that range. A statement of why a particular adjustment value was chosen must accompany this decision. If damages or benefits are anticipated to result to the improvements the value of the part taken as a part of the whole needs to be calculated and broken down between land and improvements. The remainder as a part of the whole can also be calculated mathematically by subtracting the value of the part taken from the before value and using information from the vacant land approach to allocate between land and improvements. The items acquired or affected should be described and valued in this section. Section 2.7 of this manual has instructions for valuing landscaping, fencing and other minor improvements. All items included in this area must have logical support and justification. Minor items can be handled by a cost-to-cure if economically justified. It may be more logical to pay the moving

cost of a minor improvement such as an “on-premise sign” and if so this would be a justified cost to cure. It may also be necessary to pay for the realignment of items such as wells, septic systems or driveways to avoid major damages to a property. If a cost to cure is used, an allocation is needed between the items acquired and the balance of the cost to cure. After all items have been properly explained, move forward to the final “Allocation of Damages.”

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**18. VALUE OF IMPROVEMENTS AFTER ACQUISITION**

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This section is only required for the Appraisal Report Standard Detailed Format Before & After (RE1007). If the property being appraised involves major acquisition or damage to improvements, a grid should be used that is similar to the before grid but with sales that show the after condition. The following grid may be used to reflect the value of the combined land and improvements after the improvement project. Justification for each item of adjustment must be provided following the grid. Items listed for consideration are only examples. The appraiser is to use those items of adjustment that are appropriate for the property being considered.

IMPROVED GRID – “After” Acquisition				
Item	Subject	Sale #	Sale #	Sale #
Address				
Sale Price				
Sale Date				
Property Rights*				
Financing Terms*				
Conditions of Sale*				
Expenditures Made Immediately after Sale*				
Market Conditions (time)*				
Adjusted Sale Price				
Site/View				
Construction Quality				
Age				
Condition				
Above Ground Room Count				
Gross Living Area				
Basement and Finished Rooms Below Ground				
Functional Utility				
Heating and Cooling				
Garage/Carport				
Porches, Patios, Pools, etc.				
Special Energy Efficient Items				
Fireplaces				
Kitchen Equipment, Remodeling, etc.				
Other				
Setback, Grade, etc.				
Net Adjustment Total (must be subtracted from adjusted sale price)				
Indicated Value of Subject				

\*These items must be analyzed in sequence.

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**19. EXPLANATION OF ADJUSTMENTS FOR IMPROVEMENTS AFTER ACQUISITION**

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Comparative analysis is the general term to identify the process in which quantitative and/or qualitative techniques to derive a value indication in the sales comparison approach. These adjustments are not mutually exclusive. Each adjustment in the previous grid requires a brief

explanation of what it was for, how it was applied, and why it was necessary. This is required for each adjustment category, even when a zero adjustment is applied. This explanation must establish the reasonableness of the adjustment. It must be tied to some recognized physical evidence or logical reasoning such as a paired sale analysis. There has been some confusion as to the appraisers' use of adjustments in the narrative appraisal. The issues arise from the explanations for adjustments that do not appear to be market data driven. The market recognizes two types of adjustments in the narrative report. The first is the quantitative adjustment, which can be measured in the market through paired sales analysis, statistical analysis, mathematical analysis, grouped data analysis, graphic analysis, cost analysis, direct comparisons, capitalization of income, direct capitalization, or some other quantifiable process. Quantitative adjustments are either dollar adjustments or percent adjustments. The appraiser explains in depth the process used to arrive at and make the adjustment. These adjustments are market drive and it is the appraiser's responsibility to explain the quantification process and the corresponding adjustment. The second type of adjustment is the qualitative analysis. This type of adjustment is used only when adequate market data does not exist. This adjustment process relies on relative comparison analysis, ranking analysis, and personal interview. These adjustments are based on opinions and are not quantifiable. They result in small adjustments relating to superior, inferior, etc. qualities. At times they result in a weighted average for value determination. When appraisers use both types of adjustments, the qualitative adjustments must be made first. The appraiser must recognize that when they use these types of adjustments, they will often require more extensive narrative discussion to explain the reasoning. When using the qualitative analysis, it is critical that the appraiser bracket the subject. Bracketing the subject with superior and inferior sales avoids the tendency to merely be demonstrating that a property is worth more than a certain number or less than a certain number.

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## 20. CONCLUSION OF VALUE FOR IMPROVEMENTS AFTER ACQUISITION

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Utilizing the range of value established in the previous grid, the appraiser must conclude a value supported by that range. A statement of why a particular adjustment value was chosen should accompany this decision. If there are severance damages to the remainder, the appraiser should include the following statement in the final conclusion of value:

*"I have considered the property evaluated in this appraisal both from the before and after as well as the part taken. I have concluded, as of result of this comparison, that the value of the part taken does not exceed the value attained by the before and after approach."*

Severance damages and/or benefits are determined by comparing the after value concluded in this approach with the value of the remainder as a part of the whole that was calculated as a part of the conclusion of the before value.

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## 21. TOTAL DAMAGES AND ALLOCATION

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The following allocation process needs to be used to determine the amount of severance damages and benefits. This process needs to be done for each remaining parcel because some remainders may be benefited and some may be damaged and the net result needs to be determined. If a benefit is general and not special it must be disregarded.

- |   |          |
|---|----------|
| A. Value of whole property              | \$ _____ |
| B. Value of part taken as part of whole | \$ _____ |

- C. Value of remainder as part of whole \$ \_\_\_\_\_
- D. After value of remainder \$ \_\_\_\_\_
- E. Severance damages (C-D) \$ \_\_\_\_\_
- F. Benefits (D-C) \$ \_\_\_\_\_

When using the Standard Abbreviated format, the appraiser may use the assessed value of the improvements added to the land value derived from comparable sales. A statement should be made to inform the reader of that fact.

<b>TOTAL DAMAGES</b>
Before Value \$*
After Value \$*
Total Damages \$
Rounded to \$

\* Only required on the Appraisal Report Standard Detailed Format Before & After (RE1007).

<b>ALLOCATION OF DAMAGES</b>
Land \$
Improvements \$
Access Rights \$
Severance Damage \$
Fixtures \$
Permanent Easements \$
Change of Grade \$
Additional Cost of Fencing \$
Other \$
Total Damages \$

Categories can be added or deleted to this list as needed, depending on damages accruing to the subject. (The allocation of damages is required by 49 CFR.)

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## 22. PROPERTY SKETCH

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If only a strip taking is involved (no major improvements), a copy of the right of way plat colored to show the acquisition should be included. If the acquisition is more complex, such as partial removal of the residences or of major outbuildings, a hand drawn sketch (not necessarily to scale) should be included. All items acquired or affected by the acquisition should be shown on the plat or sketch. For rural properties, show the location of the well and septic system. Location of driveways should also be shown. Include any other sketches that will assist an owner in understanding the appraisal and damages (i.e., a before and after sketch for a cost-to-cure a loss of parking). If a residential improvement is being acquired, a separate floor plan sketch is required. In business properties enough detail to determine different areas of use and value of the floor space should be provided.

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## 23. PHOTOGRAPHS OF SUBJECT PROPERTY

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Include pictures of the subject property in sufficient quantity and quality to show both the interior and exterior layout. There should be photo's of both the before and after conditions of the subject, as well as, the acquisition area. When the photo is of the acquisition, a felt tip pen line showing the R/W line can be drawn on the photo to show perspective. Photos can be scanned and digital can be used.

(Place photos here)

Photo taken date \_\_\_\_\_  
Subject \_\_\_\_\_  
From \_\_\_\_\_  
Camera pointed from \_\_\_\_\_

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24. SALES LOCATION MAP

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Locate the subject with sufficient detail for another person to drive to the site.

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25. SALES DATA SHEET OR COMPARABLE SALES SHEET

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Get sample of a sales data sheet.

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26. APPRAISERS QUALIFICATIONS

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The appraiser must include a resume that indicates his or her experience and education.