



## 2.7 SPECIAL IMPROVEMENTS

### 2.7.1 Fencing

The cost approach is generally the most practical method of valuing the various types of fencing that can be encountered during a highway acquisition (such as: farm, residential, commercial or industrial fence). Depreciation, however, is the most difficult cost determination to make in such a valuation. In considering the amount of depreciation, the appraiser should try to keep the contributory value of the fence in reasonable proportion to the value of the entire property. A detailed description of the fence acquired and photos showing the construction detail should be included in the appraisal to help in the processing of any future fencing claims. The location of the fence in relation to the existing right of way (R/W) line should be checked since it can vary depending on the circumstances. These three different scenarios can exist:

1. Legal width of road was established by statute;
2. Centerline varies from center of R/W; or,
3. Road is laid out along a section line that does not follow centerline as road is constructed.

Fencing should not be considered to be in the existing R/W if it is constructed within a reasonable distance of the R/W line. If the fence has utility and is within reasonable proximity to the property line, it should be considered as part of the acquisition. Clear and intentional encroachments should be reported and are not considered compensable. The value of cross fences should be included in the fence computation. The cost to cure to establish new end posts where old end posts are removed may be considered. The contributory value of gates should also be considered, and a cost to cure to relocate a gate may be necessary in some situations. Temporary electric farm fences can be estimated based on the cost to move them. The appraiser should state that the in-place contributory value is equal to the cost of moving the fence. In some cases, when the size of a fenced-in area is reduced by an acquisition, it may lose its utility due to its reduced size or change in shape. This could happen in the case of a dry lot or barnyard. It may be possible to cure this severance damage by enlarging the area, moving an interior fence or building a new fence. If the cost to cure is less than or equal to the severance damage, it should be included in the appraisal. As a rule, no contributory value is placed on fencing remnants when the fences are in disrepair and there's no longer an obvious need for the fencing. Additional compensation is also not warranted when acquiring the end of a line fence that is not connected to other fences. There are many types of residential fences and generally they are valued on a depreciated cost basis. If the fence is unique and it can be moved for about the same cost as its contributory value, a cost to cure can be considered. It should be stated, however, that compensation has been included to acquire the fence. Replacement cost should be considered only if:

1. Fence will definitely be replaced, and
2. Will serve as a cost to cure to avoid larger severance damages to remaining property.

A current fencing cost guideline will be provided to the appraiser at the project management conference. Get sample of fencing cost guide. These guidelines can be used with most

agricultural fencing. The guidelines should be used wherever possible to save appraisal and review time. If a particular type of fence cannot be found in the table, the appraiser can do his/her own fencing cost estimate. The material supply source consulted and the method of calculating labor costs should be included in the appraisal. When a different cost data manual is used as a source for fencing costs, the name and page where the cost is obtained should be given. If an estimate from a fencing contractor is used, it should be included in the appraisal. Prices may be lower for larger projects. Prices may also vary by area and because of soil or topographic differences. When considering functional utility of a fence, it is acceptable to use the replacement cost of a fence with steel posts rather than wood if there is no practical reason why wood is required. The difference between the cost of wood and steel may be considered as functional obsolescence depending on the circumstances. Depreciation is based on age, condition, and utility. Depreciated value of the fence or contributory value is subject to the same economic factors as other agricultural improvements.

### 2.7.2 Driveways

Driveways and access rights are related issues that must be addressed by the appraiser. An appraiser may see a wide variety of situations, ranging from a complete restoration of all existing driveways to the acquisition of all access rights. Generally, all needed driveways are restored. The definition or determination of "needed" can be somewhat subjective; however, the appraiser and review appraiser must come to an agreement prior to completing the appraisal in order to avoid unnecessary revisions and expense. In the property description under site or land, the appraiser should give the location and width of all access points that serve the property. The purpose of the driveways and the need for them should also be assessed. A good way to handle location of the driveways is by reference to the property sketch where they can easily be placed and noted. Under the description of the acquisition, any change in the property's access rights should be stated. The description of the remainder should state any change that will occur from the before condition and what effect it has on the property. The appraiser should find out which driveways will be replaced during construction and report this in the appraisal. If a driveway is being replaced, no compensation should be included for the part in the acquisition area unless it is needed for parking or for turning around and must be replaced on a cost to cure basis. If a driveway is not being replaced and it is necessary to the utility and value of the property, a cost to cure to provide internal access to the same area is a possible solution. When a driveway through a residential site is not replaced, it may be necessary to calculate a cost to cure to remove the old driveway from the R/W line to a convenient location and landscape the area to match the rest of the yard. Sometimes, although a driveway won't be reconstructed, the owner can replace it by permit. In these cases, if the driveway is necessary, the cost of replacing the driveway should be included in the appraisal. Good judgment should be exercised in making a determination of what driveways are necessary to a property. The use of the property, natural divisions of the property, and the safety of driveway locations should be considered. If driveways can be relocated to a side road, they are generally safer than on the main highway. A current fencing cost guideline will be provided. Get sample of driveway cost guide.

### 2.7.3 Septic Systems

Often times on rural highway projects, part or all of a septic system is located within a strip acquisition. The first determination that must be made is whether the system is legal or legal non-conforming to current codes. The treatment of the system in the appraisal will depend on this determination. If there is any doubt by the appraiser, it is suggested that the county

sanitarian be asked to inspect the system and make a determination. The main criteria for determining whether a system is illegal is if there is seepage of effluent into the highway ditch or any other drainage way. An old fashioned drywell is not illegal if it is not leaking or does not have an overflow pipe that is discharging. If it is determined that a system is illegal and orders for replacement are issued by the county, the appraiser should state this in the appraisal and not pay for replacement of the system in the appraisal. In some areas septic systems need to be inspected and brought up to code prior to a sale. In these cases a substandard system may only have an interim value. In general, if part of an operating legal system is disturbed, the entire system must be replaced and brought up to code. The cost of septic systems varies depending on the soil conditions.

One of the first things an appraiser should do on a project is look for possible septic systems that will be affected. Systems can often be located by the location of vent pipes, tile lines discharging into the ditch, depressions in ground surface, or extra green grass in the area of a suspected system. It may also be necessary to consult with the contractor who installed the system for a location sketch. If a legal system is extending only slightly into the required R/W, the appraiser should report it to the design section to see if it is possible to change the R/W plat and slopes to avoid the system. The locations of all wells and septic systems on or off the right of way should be shown on the property sketch.

When a legal system must be acquired, the appraiser should obtain an itemized estimate or estimates from reliable local contractors to bring the remaining system into compliance with the code or to replace it with a new system. If percolation tests are needed, the owner's permission should be obtained and the tests should be paid for by the state as a separate item and not included in the appraisal. If winter is approaching, an effort should be made to get all tests taken before the ground freezes. The cost to replace or modify the system should be included as a cost to cure in the appraisal. The proper method for allocation is to pay for the contributory value of the acquired system as an improvement acquired and subtract that amount from the cost to cure that is allocated as a damage item.

Many times the only way to replace a system is with an upgraded or mound system. The fact that a new system costs more than the system in place is not a special benefit. In the cases where it is not possible to replace the system with a conventional in-ground or mound system, a holding tank must be installed. In some areas of the state holding tanks are very common and there is little or no damage to the remainder recognized in the market for this situation. If this is the case, no additional damage should be considered. When the installation of a holding tank will affect the value of a property, one way of measuring the damage is to determine what the annual pumping charges will be over and above the cost of maintaining a conventional system. Then determine what amount of money would have to be invested at a safe rate of return in a long-term, quality investment (5-10 year AAA Bond or Certificate of Deposit) to return the additional annual pumping cost to the owner. This amount could be a measure of severance damage to the remainder.

Where the location of the septic system cannot be determined, the system does not have to be included in the appraisal. However, a statement should be made that it is possible that a system may be affected and if during construction it is discovered that the system must be replaced, this item will be handled as an additional parcel cost. In areas where municipal sewer is available, cost to cure may be the cost of providing a lateral to hook up to the municipal system. If the property would have been required to hook up to the municipal system even if the highway were not reconstructed, then no damage will result. In all cases, the damage for

affecting a septic system should be the lowest cost of the available options. Where the building improvements are acquired and the well or septic are on the remainder there may be a required cost to cure to properly abandon or cap these improvements. They also may have a reduction in their contributory value, which would be classified as severance damage.

### 2.7.4 Landscaping

Any adjustment for differences in properties because of landscaping must be based upon the contributory value of the landscaping, trees, shrubs, lawn, etc. to the overall market value of each of the properties. Landscaping, as defined here, refers to growing items and does not normally include such things as retaining walls and decorative fence. The appraiser may consider replacement cost in arriving at contributory value but must recognize that replacement cost does not necessarily represent market value. Landscaping can be expensive but in poor arrangement. Imaginative use of less expensive planting can result in a larger contribution to market value than occurs when premium plants are not aesthetically arranged or grouped. In most cases, mature trees do not contribute what it would cost to replace them, so replacement is not economically feasible. Replacement with a similar specimen of smaller size is probably a better indication of market value. For example, the cost to purchase and plant a similar specimen one-half the size may be a good indication of the contributory value of a mature item of landscaping which is properly located and appropriate for the property being appraised. For small items of landscaping, 100% of replacement cost may be appropriate.

Landscaping is a very subjective adjustment based on the appraiser's understanding and analysis of the market. The best way an appraiser can understand and explain the contributory value of landscaping is by allocation of improved sales into the various components (i.e., lot value, value of house and garage, value of well, septic system and driveway, and finally landscaping). True understanding of the value of landscaping can occur only after the appraiser has allocated a large number of sales. It is recommended that the appraiser attempt to allocate each of the improved sales in the sales data book in order to improve understanding of how the various components affect market value. The following chart shows the results of such a study. These results can be used as a guide in the appraisal of improved properties. Care should be taken to test the results of any application of this type for reasonableness as it is applied to the property being appraised. The value of landscaping varies according to the quality and arrangement of the landscaping and also according to the market value of the overall property. For example, it is appropriate to spend a considerable amount of money to landscape a very expensive home, but the same landscaping would be super adequate for a modest home and would contribute less to market value. The various components of a property must be in balance to achieve maximum value.

Following is a chart of landscaping values that was formulated by allocating a large number of improved residential sales. The chart shows typical ranges of value for landscaping of varying quality for residential properties in three different price ranges. The chart demonstrates how the contributory value of landscaping changes according to the quality of the landscaping and the market value of the property.

Contributory Value of Landscaping Changes				
Quality	Description	Landscaping Contribution	Property Price	Landscaping Contribution
Excellent	Landscape designer or equal with well-maintained trees and shrubs.	8 to 10%	\$ 50,000	\$ 4,000 - \$ 5,000
			\$100,000	\$ 8,000 - \$10,000

	Lawn quality similar to new sod.		\$150,000	\$12,000 - \$15,000
Good	Well-designed and good placement. Maintenance, pruning and fertilization above average. Lawn fertilized and sod thick.	6 to 8%	\$ 50,000	\$ 3,000 - \$ 4,000
			\$100,000	\$ 6,000 - \$ 8,000
			\$150,000	\$ 9,000 - \$12,000
Average	No particular plan, but plans and lawn show some indications of maintenance, pruning and fertilization. Lawn has some weeds and thin areas.	4 to 6%	\$ 50,000	\$ 2,000 - \$ 3,000
			\$100,000	\$ 4,000 - \$ 6,000
			\$150,000	\$ 6,000 - \$ 9,000
Fair to Poor	Native trees not pruned shrubs few and poorly maintained, thin areas and weeds.	3 to 4%	\$ 50,000	\$ 1,500 - \$ 2,000
			\$100,000	\$ 3,000 - \$ 4,000
			\$150,000*	\$ 4,500 - \$ 6,000

\* It is unlikely that you would encounter a residential property in the \$150,000 range with landscaping of this type.

The appraiser must make landscaping contribution estimates in a very subjective manner based upon observations of the market. The appraiser should also make a comprehensive search of the market that will logically support the landscaping contribution. Greater explanation will be required if the value of the landscaping falls outside the typical range. It is also important that each appraiser rely upon the above definitions for the quality of landscaping so that the terms "fair," "average," "good" and "excellent" are used consistently by all appraisers. For partial acquisitions, the preferred method of adjustment would be the percentage of total landscaping value that is acquired with an explanation of how the percentage was calculated. In the case of acquisition of a few items of landscaping which are properly located and important to the landscaping scheme, replacement cost or replacement with a smaller specimen of the same species may be representative of contributory value and a proper method of appraisal.

### 2.7.5 Drain Tile and Irrigation Systems

Drain tile - Drain tile can be encountered in the form of field tile or clear water drains from buildings into adjacent highway ditches. The appraiser should report all tile discoveries to the design section so that they can be investigated and put on the construction plans. In general, any clear water discharges from field tile, basement drains, down spouts, springs or any other clear water source will be incorporated into the highway drainage system, if possible. When it is not possible because of a change in ditch elevation, a cost to cure should be determined to discharge the water elsewhere or a damage determination from appropriate market data should be made. Overflow tile lines from drywells are not legal, and there should be no compensation for them. Milk house drains and laundry drains are also generally illegal. In most cases, there is no damage to a discharge tile line when it is intercepted and perpetuated. In the case of field tile systems, the appraiser should get a tile location map from the owner or installer. Parallel lines can be abandoned in place and feeder lines can be cut off, providing that the ends are plugged. If it is necessary to relocate part of a system in order to keep the remaining system functional, this can be considered as a cost to cure item. In general, field tile has a contributory value that can be determined in the market by comparing land sales that have tile and sales where tile is needed. When comparing tiled land to high, well drained land, there usually is not much of a difference in the per acre price. The tile may be considered as a negative factor because it must be maintained.

Irrigation systems - When portions of irrigation systems are located in the acquisition area, a cost to cure should be investigated. Generally there is a substantial difference between the value of irrigated and non-irrigated land. It is best to get a bid from an expert irrigation contractor for modification of the system. As with any other cost to cure, the cost should not exceed the loss in value if uncured. If an irrigation system rotates onto the strip we're buying, we must pay to modify the system or the severance damage to the remainder if the system is not replaced. It may be possible to have a partial cost to cure and still have remaining uncured severance. If a tenant occupies the land, the appraiser must also determine who owns the equipment in order to allocate the damages.

### 2.7.6 Valuation of Mineral and Timber Rights

The general rule for the valuation of lands containing minerals is that the existence of mineral deposits in or on land is an element to be considered in determining the market value of such land. The value of the mineral deposits cannot be determined independently of the land of which it is a part. For instance, it is not proper to value gravel bearing lands by taking the quantity of gravel and multiplying it either by a royalty rate per yard or by a price gravel is currently bringing per yard. The value of the land should be measured by what a willing buyer would pay and a willing seller would accept in an arm's length transaction with both parties knowledgeable about the deposits. In other words, sales of other lands with similar deposits are the true measure of value. The presence of minerals and timber may be considered as a factor influencing the value of the land as contrasted with the value of the mineral or timber apart from the land. The potential value of minerals and timber are relevant only to the extent that they enhance the value of the whole property. They are best measured by market comparison. If mineral rights of a property being appraised have been conveyed to an entity other than the current property owner, the appraiser should address this property right in the appraisal by stating if it has any contributing value. The only measure of value to be considered is the value that the mineral/timber add to the land, if measurable. It is not proper to value the mineral/timber based on the value for sale after removal from the land.

### 2.7.7 Signs

The first step is to determine if the sign is on premise or off premise. Normally an on premise sign (advertising goods and services produced or sold on the site) is real property and belongs to the owner of the site. If the sign is not likely to be replaced or moved the appraiser can get the replacement cost from a sign company or other reliable source and then make an independent determination of depreciation which when subtracted from the replacement cost will indicate the contributing value. If it is very likely that the sign will be moved because it is part of an on-going activity at the site that would suffer from its loss, the cost to move the sign can be used as a cost to cure. Moving cost could also be obtained from a sign company or other reliable source. If there is little or no difference between the cost to move the sign and the in-place value of the sign, the appraiser can state this in the appraisal. If there is a significant difference and the property must be acquired by condemnation, a revised offer should be processed prior to issuing a jurisdictional offer to include the contributing value of the sign. Off premise signs should be indicated as a separate parcel on the plat. In most instances off premise signs (advertising goods and services not produced or sold on the site) are personal property belonging to a sign company and located on a leased site. These signs are considered to be personal property of others and are eligible for moving expenses on a relocation claim. If the sign is non-conforming, the sign should be purchased. If this type of sign is handled by relocation then any agreement should include a statement that the relocation payment is

considered to be full payment for the value of the sign. If the sign is not moved it will then be considered acquired by WisDOT. Off premise signs should not be included in the appraisal of the land. Conforming signs are only eligible for moving expenses. An exception occurs when a sign company owns the site and in those cases an off premise sign is considered to be real property as a site improvement and is appraised and purchased with the land acquired.

Special circumstances - Certain signs that would have been eligible for purchase under the Highway Beautification Act must still be acquired due to a Wisconsin court ruling. At least one of the two criteria listed below must be met to determine the need to purchase.

1. Sign must be legal non-conforming to zoning and have been in existence prior to 3/18/72.
2. Sign must be on a highway that was added to Federal Aid Primary Highway System at a later date. In that case, date highway was added to system applies.

### 2.7.8 Sign Sites

Income received by the sign site's landowner (similar to rent for cropland or apartments) should be included in the value of the property acquired if a sign is located in such a manner that it does not interfere with the highest and best use of the site or is the highest and best use. The added value of this lost income stream may be considered to the extent that it exceeds the typical return of the property. In many situations sign sites are situated in such a manner that the typical return to the land is not affected. Example: A sign site on a fence line or in the corner of a field. A discounted cash flow analysis could be used for the projected remaining term of this income stream. If the sign owner has a favorable "below market" site lease, the bonus value of the sign owner's interest should be recognized and included in the payment made to the sign owner. The courts generally consider the leasehold interest to be the difference between the contract rent and market (or economic) rent, particularly in short-term leases. In other words, the sign owners have the right to recover the sum or bonus value (difference between the market and contract rent) that would have been saved during the remaining term of the lease. If the market rent does not exceed the contract rent, the leasehold has no value.

Caution: The total value of the sign sites cannot exceed the sum of the leased fee and leasehold interest.

#### 2.7.8.1 Example of Payments for Acquired Sign Sites

The following are two payment determinations that would be made to the landowner of a sign site and to the sign owner of a sign acquisition that assumes:

- Five-year lease to sign owner at \$300/year (contract rent).
- Highest and best use of the site is agricultural and sign site.
- Interest rate of 8%.
- Typical market rent of \$500/year.

Calculation of payment to landowner (leased fee interest): Below are two methods for determining compensation to the landowner based on the present value of the income stream. Apply only if contract rent exceeds the normal return to the land.

1. Using a financial calculator.

Enter payment (PMT) of \$300	Enter number of years(n) of 5	Enter interest rate (I) of 8	Press PV to calculate present value \$1197.81, say \$1200
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Or,

- Using appropriate factor from Column 5 of the financial tables titled "Present worth of 1 per period." Factor for this example is: 3.99271.

Payment	Times	Factor from Financial Table Column 5 (3.99271)	Equals	Present Value \$1197.81, say \$1200.00
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Calculation of bonus value lost to sign owner (leasehold interest): Below are two methods for determining any compensation to the sign owner based on a bonus value that was lost. In this example, the sign owner has had the benefit of paying \$200 less than market value for the sign site. (Market rent = \$500; contract rent = \$300). This difference in contract and market rent (\$200) is either entered as "payment" in the financial calculator or is multiplied by the present worth factor from the financial tables. Note: This applies only if the market rent exceeds the contract rent.

- Using a financial calculator.

Enter Payment (PMT) of \$200.00	Enter Number of Years (n) of 5	Enter Interest Rate (i) of 8	Press PV to calculate Present Value \$798.50, say \$800.00
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Or,

- Using appropriate factor from Column 5 of the financial tables titled "Present worth of 1 per period." Factor for this example is: 3.99271.

Payment (PMT) of \$200.00	Times	Factor from Financial Table Column 5 (3.99271)	Equals	Present Value 798.50, say \$800.00
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### 2.7.9 Leasehold Interests

If the subject property is leased the appraiser should report which property, if any, is owned by the tenant. The ownership can be determined by asking the owner and the tenant and by reviewing the lease. All property must be included in the appraisal, regardless of ownership.

Personal property is covered by relocation. Fixtures generally go with the real estate. See topic 2.4.2.3.1 of this manual for more discussion on fixtures. An allocation with each item listed separately is very helpful. The owner's interest is called the leased fee and the tenant's interest is called the leasehold. The value of these interests varies depending on the terms of the lease and the market. The appraiser should not attempt to divide the total payment between the owner and the tenant. On a negotiated settlement the payment can be split provided all parties of interest sign off and are in agreement.