



## 2.6 - APPRAISAL REVIEW GUIDELINES

### 2.6.1 - Purpose

The appraisal report forms the basis for establishing an offering of just compensation (see REPM/Subsection 2.0.2 for a definition and discussion). The appraisal review process is a quality control step intended to promote and maintain the integrity of the appraisal process. The purpose of the appraisal review process is:

- To ensure that factual data, assumptions and techniques within each appraisal are reasonable and sufficient to support the appraiser's conclusion
- To ensure that the appraisal report meets all applicable state and federal requirements
- To provide an assessment of the work product of appraisers
- To ensure confidence in the appraisal report
- To promote increased levels of professionalism among appraisers
- To facilitate a professional relationship between WisDOT and appraisers
- To provide expertise in support of litigation and dispute resolution

### 2.6.2 - Overview of Appraisal Review Process

#### Appraisal Review

- The Uniform Standards of Professional Appraisal Practice defines an Appraisal Review as:
  - (noun) The act or process of developing an opinion about the quality of another appraiser's work that has been performed as part of an appraisal or appraisal review assignment;
  - (adjective) Of or pertaining to an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.

The appraisal review process must be completed by a qualified review appraiser, as defined in REPM/Section 2.1. The qualified review appraiser, whether they are licensed/ certified or not, is acting as a professional appraiser when they complete an appraisal review and are required to adhere to the standards established by the USPAP. The review appraiser shall examine the presentation and analysis of market information in all appraisals, as directed by 49 CFR 24.104 (See REPM/Subsection 2.0.1.4), to assure that they meet the definition of appraisal found in 49 CFR 24.2(a)(3) (see REPM/Section 2.0); appraisal requirements found in 49 CFR 24.103 (see REPM/Subsection 2.0.1.3); state requirements; and, other applicable requirements, including to the extent appropriate, the Yellow Book. The appraisal reports under review must also support the appraiser's opinion of value. The level of review analysis depends on the complexity of the appraisal problem. As needed, the review appraiser shall, prior to recommendation and/or acceptance, seek any necessary corrections or revisions. Upon completion of the review process the review appraiser shall complete an appraisal review report (see REPM/Subsection 2.6.9), wherein they will identify each appraisal report as:

1. Approved and Recommended - meets all appraisal requirements, and should be used as the basis for establishing the amount believed to be just compensation;

2. Accepted - meets all appraisal requirements, but not selected as recommended or approved;
3. Not Accepted.

The review appraiser's approval of the appraisal report under review is a recognition that the report meets all of the appraisal requirements. The review appraiser's approval is a recognition that:

- The factual data contained in the report is accurate and adequate to support the appraisal process
- The approaches to value utilized are appropriately explained and employed
- The appraisal methods utilized were employed properly and were appropriate to the appraisal problem identified in the report
- The valuation analysis contained within the report is consistent with the subject property and the appraisal problem
- The appraiser's findings of value are supported within the appraisal report

Unless the review appraiser has completed their own appraisal analysis of the property addressed by the appraisal report under review, he or she will not render an opinion as to the findings of value. The review appraiser will not indicate whether the value findings contained within the appraisal report are: right; wrong; too high, or too low. The review appraiser will only render an opinion as to whether the appraisal report supports the findings.

The statewide or regional review appraiser (this is a statewide or regional position designation), acting as a designated state employee, shall complete an Offering Price Report and Submittal form (RE1894) (see REPM/Subsection 2.6.10), wherein they will approve the amount believed to be just compensation. The review appraiser must understand that the amount being approved is just compensation, which is not to be confused with or be referred to as market value. This distinction is necessary for conformance with USPAP. The statewide or regional review appraiser, in conformance with USPAP, is not completing the offering price report and submittal as a licensed or certified appraiser and should not include their licensing/certification information on the report form.

### **2.6.3 - Functions of Regional and BTS-RE Review Appraisers**

The term review appraiser is used rather than reviewing appraiser, to emphasize that review appraiser is a separate specialty and not just an appraiser who happens to be reviewing an appraisal. Federal and state agencies WisDOT have long held the perspective that appraisal review is a unique skill that, while it certainly builds on appraisal skills, requires more. The review appraiser should possess both appraisal technical abilities and the ability to be the bridge between the agency's real property valuation needs and the appraiser. Review appraisers must also be capable of acting as technical advisers to multiple functional areas of WisDOT when issues associated with real estate arise. As technical advisors review appraisers typically perform a role greater than just the completion of technical appraisal reviews. The scope of work requirements presented in REPM/Section 2.1 require that the review appraiser be involved in early project development to assist in identifying potential real estate issues as early as possible. Later they may be involved in developing the appraisal scope of work agreement and participate in making appraisal assignments to fee and/or staff appraisers. They are also mentors and technical advisors, especially on agency policy and requirements, to appraisers, both fee and staff. Additionally, review appraisers are frequently technical advisors to other agency officials.

### 2.6.3.1 - Delegated Authority for Appraisal Reviews

All appraisals prepared under REPM/Section 2 must be reviewed. The responsibility for appraisal review and offering price approval has been divided between the regions and BTS-RE (statewide review appraisers). The review and approval of non-complex appraisals of \$10,000 or less has been delegated to regional review appraisers.

BTS-RE review appraisers have been delegated the authority to review and approve all complex appraisals, and non-complex appraisals where the value is greater than \$10,000.

The process of determining the complexity of the appraisal problems, anticipated for a specific project, are addressed as part of the eminent domain appraisal process in REPM/Subsection 2.1.2.2. When determining whether an appraisal problem is complex or not, the following items should be considered (this list is only a guide, and other factors may need to be considered):

- The type of property being appraised. Examples of properties that may pose complex appraisal problems include: a special use property; a transitional (interim use) property; a mixed-use property; a property that exhibits unique physical characteristics (example: contaminated property), or some other property where the highest and best use, or larger parcel determination is not readily identifiable?
- The potential for severance damage. Are the potential severance damages obvious, and can they be easily cured? An easily identified and cured severance damage may reflect a non-complex appraisal problem. The potential for the existence of incurable severance damages would result in an appraisal problem that would be considered complex.
- The potential for the proposed acquisition to impact off-premise signs, on-premise signs, or other unique site improvements would result in a complex appraisal problem.

The determination of whether a specific appraisal problem is complex or non-complex, should be made in cooperation with the statewide review appraiser assigned to the project. Discussed as part of the eminent domain appraisal process in REPM/Subsection 2.1.2.3, the determination should take place prior to soliciting appraisers, then finalized as part of the project start-up meeting and appraisal scoping meeting. If, at the time of the initial complexity determination, no statewide review appraiser has been assigned to a project, then a member of the statewide appraisal team could be consulted. Some complexity determinations may need to be changed because of changes in the project and the proposed acquisitions.

### 2.6.4 - Scope of Work for the Appraisal Review

Legislative requirements exist for appraisals at both the federal and state (Wisconsin) levels. The legislation identifies the purpose of an appraisal; some basic standards for how an appraisal should be conducted; and what an appraisal report should contain. The requirement that an appraisal review be conducted is established by 49 Code of Federal Regulations Part 24.104, which dictates that the review appraiser examine the presentation and analysis of market information in all appraisal reports to assure that the appraiser has met appraisal requirements and that the appraisal reports meet the minimum reporting requirements as established by federal and state law. The standards for conducting and reporting an appraisal review are based upon USPAP and the Yellow Book. These standards are flexible in nature and

allow the scope of work for performing an appraisal review to conform to the needs of the user/client, which, for the purposes of this section, is WisDOT.

The Yellow Book describes the responsibilities of a review appraiser, in part, as follows: like the appraiser, review appraisers must remain objective in their appraisal review activities. They cannot let agency goals or adversarial pressure influence their opinions of an appraisal report's appropriateness or of the value opinion(s) it reports, nor can they let their personal opinions regarding an agency's proposed acquisition enter into the review process. Also, review appraisers should not attempt to substitute their judgment for that of the appraiser unless they are willing and able to develop their own opinions of value and become the appraiser of record.

The Yellow Book advises the review appraiser to keep in mind that the appraisal report that they are reviewing is the work of a professional appraiser and is a unique statement of the appraiser's opinion.

In most cases the review appraiser must confine their review to:

- The adequacy and appropriateness of the analysis presented in the appraisal report
- The adequacy and appropriateness of the factual data presented in the appraisal report
- Whether the appraiser has met the appraisal requirements of their assignment

The appraisal review process, in part, is a Risk Management Function, so the review appraiser should maintain a limited scope of work when completing their appraisal review. However, the appraisal review process is also a Quality Control Mechanism, so the reviewer must be vigilant for potential warning signs within the reviewed report, that would indicate a need to expand the normal scope of work. The need for a balance between risk and quality is addressed in WisDOT's scope of work standard for appraisal reviews.

#### **2.6.4.1 - Scope of Work Standard for Appraisal Reviews**

The following scope of work will be considered the standard, when reviewing appraisals prepared for the WisDOT, to be used to establish just compensation. The scope includes notes (i) that provide an explanation for the scope of work item that it is attached to, together with some possible areas of concern (ii) that might require a departure (expansion or contraction) from the prescribed scope of work.

1. The review appraiser plays a role in the eminent domain appraisal process discussed in REPM/Subsection 2.1.2.3. The review appraiser together with the regional project manager will develop a preliminary appraisal scope of work agreement prior to the appraisal scoping meeting, which typically occurs immediately after the real estate start up meeting. The review appraiser's participation in the development of the appraisal scope of work agreement will require that the reviewer familiarizes themselves with the appraisal scoping checklist and the available project data in advance of the appraisal scoping meeting.
2. The review appraiser should supplement the information provided at the project management conference through a review of the available construction project plan and profile information, plat mapping and project reports.
  - i. Note: An adequate understanding of the construction project is necessary to determine whether the appraiser has provided an adequate and accurate description of the project in general, and the impacts to the individual parcels specifically.

3. The review appraiser will work with the regional RE project manager, per REPM/Section 2.1, to ensure that an appropriate scope of work is developed for the appraiser, and that the regional office has met its responsibility to provide the appraiser with all of the information that WisDOT is tasked with providing.
4. The review appraiser should inspect the project area, and the affected parcels, as soon as possible, after the proposed R/W has been staked. It is not necessary for the reviewer to contact the property owners.
  - i. Note: An adequate understanding of the subject property and the proposed acquisitions is necessary to determine whether the appraiser has provided an adequate and accurate description of the subject property and the project impacts to the subject's site improvements.
  - ii. Departure: If the review appraiser determines that an inspection of the project area is unnecessary because of the limited impacts of the project and proposed acquisitions, or because of the physical characteristics of the effected properties, the reviewer can depart from the standard scope of work and eliminate the project inspection.
5. The review appraiser should review the title work available for the affected parcel to ensure that the ownership identified by the appraiser and the parties contacted by the appraiser for the site inspection are consistent with the title information. The title work should also be reviewed to ensure that the larger parcel is accurately identified, and that the appraiser has addressed any potentially adverse title issues such as dominant easements.
  - i. Note: The ownership verification is a minor issue but can potentially have significant impacts on the acquisition process. This review should take place on all parcels being reviewed.
  - ii. Note: The title verification to address the larger parcel and easement issues portion of this scope of work requirement should be confined to appraisal reports on property where the exact nature of the ownership of the larger parcel, or the existence of title issues, could potentially impact value. Examples include but are not limited to: complex commercial/industrial property, vacant development property, or property where the existence of major above or below ground utilities are confirmed by a visual inspection of the subject property but are not referenced in the appraisal report.
6. If the review appraiser encounters major descriptive errors or questionable factual data in the appraisal report under review, they should consider the use of an isolated verification of factual data obtained by the appraiser from sources outside of WisDOT. The use of isolated verification may also be necessary when working with an inexperienced appraiser or an appraiser that has a history of substandard work. The verification may include, but is not limited to, county tax information, zoning information, a limited market review of available sales data, etc. However, a review appraiser's use of factual data verification should be as limited in scope as possible.
  - i. Note: The determination of whether to verify factual data is part of the risk management function of the review process. It is normally assumed that the appraiser, who completed the appraisal report, is a professional who is required to adhere to strict appraisal standards. These standards require appraisers to provide accurate verified information that is not misleading. Whether the appraiser is licensed, certified, or unlicensed, they are all governed by the same professional standards. The verification of factual data should only be undertaken if the review appraiser identifies evidence of, or has good reason to assume there is, a potential for inaccuracies in the data presented in the appraisal report.

7. The limitations on the verification of factual data, discussed in item 6 above, extends to the confirmed factual data contained within the comparable sales sheets. The limitation on verifying factual data does not, however, limit the review appraiser's ability to physically inspect the comparable sales contained within an appraisal report. This scope of work does not establish a requirement that the reviewer inspect the comparable sales contained in an appraisal report. Rather it allows the review appraiser to determine if there is a need for a physical inspection of the comparable sales based upon his or her analysis of the appraisal problem presented in the appraisal report and the comparable sales used.
  - i. Note: When reviewing an appraisal report the review appraiser has a responsibility to form an opinion of: the accuracy of the description of the comparable sales selected; the adequacy of the support for the comparable sales selected, and the appropriateness of the adjustments made, or not made, to the comparable sales as part of the appraiser's valuation analysis. The review appraiser must also determine whether the appraiser has adhered to the standards for the presentation of the comparable sales data as provided in REPM/Section 2.3.
8. It is within the scope of the appraisal review for the reviewer to raise concerns about the presentation and analysis of the comparable sales data. In addition to the presentation and analysis of the data, if the review appraiser has concerns about the quality or comparability of the sales data utilized in the appraisal report, they should discuss their concerns with the appraiser. However, there is no circumstance when the review appraiser should be conducting their own market research and analysis, unless they are performing their own appraisal.
  - i. Note: Sometimes the existence of a limited/inactive market, or an appraisal problem that includes a unique subject, requires the appraiser to use comparable sales data that is not similar to the subject property. The reviewer must remember that the sales data identified and utilized by the appraiser, is part of their opinion of value. The reviewer can determine whether the appraiser has explained and analyzed the dissimilarity of sales data adequately, and can direct any concerns they have, about the data, to the appraiser, but the final choice of comparable sales is outside of the reviewer's scope of work.
9. Upon receipt of the first draft of an appraisal report the review appraiser will read the report, noting any spelling, typographic or math errors, and complete the review checklist provided in REPM/Subsection 2.6.5. Review appraisers should attempt to complete the review of the appraisal report within 10 business days. If scheduling, work load or changes in priorities result in the reviewer being unable to meet the 10-day turnaround goal, the reviewer will communicate with the appraiser and the regional real estate project manager to inform them of the delay, and the anticipated completion time.
10. If the review appraiser finds the reported descriptions, explanations, or analysis in any portion of the appraisal report to be inadequate, he or she shall communicate the perceived deficiencies to the appraiser. The communication will be handled by email or discussed directly with the assigned appraiser, as described in REPM/Subsection 2.6.7. If the appraisal report is co-signed, then the comments should be addressed to all parties who signed the appraisal report. If the appraisal report was completed by a staff appraiser with an assigned mentor, then the review comments should also be directed to his or her mentor.
11. Items 6 thru 10 should be repeated until a satisfactory appraisal report has been produced, or until it becomes apparent that the reviewer will be unable to approve the appraisal report under review.

12. Upon completion of the review process the review appraiser shall complete an appraisal review report (see REPM/Subsection 2.6.9), reporting his or her determination of whether the report under review is:
  - Approved and Recommended - meets all appraisal requirements, and should be used as the basis for establishing the amount believed to be just compensation;
  - Accepted - meets all appraisal requirements, but not selected as recommended or approved; or,
  - Not Accepted. If the appraiser is unable or unwilling to address the analysis and explanatory concerns of the reviewer (regarding highest and best use, the larger parcel, comparable sales data used, etc.) the reviewer has the option to not approve the appraisal report.

Unless the review appraiser has completed their own appraisal analysis of the property addressed by the appraisal report under review, he or she will not render an opinion as to the findings of value. The review appraiser will not indicate whether the value findings contained within the appraisal report are: right; wrong; too high, or too low. The review appraiser will only render an opinion as to whether the appraisal report supports the findings.

13. The statewide or regional review appraiser (this is a statewide or regional position designation), acting as a designated state employee, shall complete an Offering Price Report and Submittal form (RE1894) (see REPM/Subsection 2.6.10), wherein they will approve the amount believed to be just compensation. The review appraiser must understand that the amount being approved is just compensation, which must not be confused with or be referred to as market value. This distinction is necessary for conformance with USPAP. The statewide or regional review appraiser, in conformance with USPAP, is not completing the offering price report and submittal as a licensed or certified appraiser and should not include their licensing/certification information on the report form.
14. If it becomes necessary for the review appraiser to complete their own appraisal they can utilize the review appraiser's determination of value as discussed in REPM/Subsection 2.6.8, or, if necessary, they will be required to complete the appraisal process and prepare an appraisal report as discussed in REPM/Section 2.3. The review appraiser's determination of value, or the appraisal report prepared by the review appraiser must be reviewed by a statewide review appraiser, who must adhere to the scope of work standard for appraisal review.
15. The review appraiser is encouraged to compare appraisal reports for different parcels on the same project to identify any significant variations that may alert the reviewer to possible problems in the appraisal process. Specific items of comparison would be the final value conclusions for the various parcels, or the specific comparable sales used to value parcels that are similar to each other. While it would be inappropriate to expect all parcels on a project to have identical or highly similar unit values (price per sq. ft., price per ac., etc.), any significant variations could indicate possible problems in the appraiser's process. In addition, if an appraisal report utilized different comparable sales to value parcels that are highly similar, this could raise concerns about the appraiser's process for selecting comparable sales.

**Note:** When it becomes necessary for the review appraiser to depart from the standard scope of work the reason for the departure and a description of the steps taken by the reviewer must be included in the review report.

### 2.6.5 - Appraisal Review Checklist (READS and Appraisal Review Report)

As the review appraiser reads the appraisal report under review, they will need to identify any spelling, typographic or math errors. They must also address each of the following list of questions, which are consistent with the review checklist in READS and contained in the Appraisal Review form (RE2128).

1. Is the appraisal report prepared in conformance with the reporting standards established by USPAP (Standard 2), and does it conform with the corresponding appraisal reporting standards as presented in REPM/Section 2.3?
2. Does the area/interest to be acquired agree with the approved/recorded plat, and is a copy of the plat included in the report?
3. Was the owner or his/her designated representative offered an opportunity to accompany the appraiser during the inspection of the subject property?
4. Is the effective date of appraisal the same as the date of the last inspection?
5. Did the appraisal report include a scope of work, and was it sufficient to address the appraisal problem?
6. Did the appraisal report contain any hypothetical conditions? The appraisal review report identifies two common hypothetical conditions.
7. Did the appraisal report contain any extraordinary assumptions? The appraisal review report identifies one common extraordinary assumption.
8. Did the appraisal report contain any additional assignment conditions (hypothetical conditions, extraordinary assumptions or jurisdictional exceptions), and were they approved by WisDOT? Any additional assignment conditions must be identified in the review comments section of the appraisal review report.
9. Was there an adequate discussion of the area and neighborhood as it relates to the subject property?
10. Was there an adequate discussion of the project as it relates to the subject property?
11. Was there an adequate discussion of the physical characteristics of the land?
12. Was there an adequate discussion and illustration of the physical characteristics of the subject's improvements and utilities?
13. Was there an adequate discussion of the existing zoning and its bearing on the subject property?
14. Was there a discussion of the highest and best use of the subject property both as vacant and as improved with a reasonable and adequately supported conclusion?
15. Was there an adequate discussion of the larger parcel for the subject property, and was the conclusion reasonable and adequately supported?
16. Was the acquisition area discussed in an adequate and understandable manner?
17. Was the remaining property and the effects of the proposed acquisition explained in an adequate and understandable manner?
18. Was the assessment information of the subject's improvements discussed if used in before value analysis of property?
19. Did the appraiser identify the three approaches to value, which approaches were utilized and why the approaches excluded were not used?
20. Were the appraisal approaches, methods and techniques, employed by the appraiser, adequately discussed and described, and were they utilized appropriately?
21. Were the comparable sales verified and presented in a format consistent with REPM/Section 2.3?
22. If multiple approaches to value were utilized, did the appraiser include a final reconciliation of value, and did the analysis provided support the appraiser's final conclusion of value?



23. Did the appraiser provide an allocation, of the concluded damages, in a manner that was reasonable and understandable?
24. Did the appraiser included any non-compensable items in the damages identified?
25. Did the appraisal report provide sufficient mapping, photographs and descriptions to adequately identify the subject property and the impacts of the proposed acquisitions?

### **2.6.6 - Comparable Market Data and the Valuation Conclusion**

The objective of any appraisal assignment is to arrive at an opinion of value. For the appraisal report under review to have validity, it must be based on data that is both factual and relevant. The review appraiser, through the appraisal review process, has a valid role in ensuring that the data meets those requirements; however, the ultimate responsibility for the quality of the data and the final opinion of value rests with the appraiser. It is the reviewer's responsibility to recognize whether an appraiser's analysis is adequate, and their conclusions supported within the appraisal report. The review appraiser may conduct a limited market review of available sales data; however, under the standard appraisal review scope of work, it is not the reviewer appraiser's responsibility to determine whether the appraiser has overlooked or failed to consider relevant market data. The reviewer should communicate any reservations that he or she may have about the quality of the market data within the appraisal report to the appraiser and discuss the possibility of the appraiser expanding the data search. This discussion is not considered to be outside of the reviewer's scope of work; however, when performing an appraisal review the reviewer must recognize that good comparable market information can be limited or simply not available. When market data is limited, the appraiser is often forced to compensate for the lack of data through careful analysis and evaluation of the data that does exist. The reviewer must understand that if the available data is carefully and appropriately analyzed, an opinion of value based on limited data can be acceptable. If the appraiser has provided the available factual data and explained the market limitations, has analyzed that data fully, thoroughly explained how it relates to the subject property, and has given the reasoning and logic for their conclusions, the final opinion of value will likely be reliable.

As with the identification of factual data, the final opinion of value stated in the appraisal report, is the responsibility of the appraiser. The reviewer can recommend changes; choose to recommend and approve an appraisal report in spite of their concerns or choose not to approve and recommend the appraisal report and complete their own appraisal. Unless a review appraiser completes their own appraisal, they cannot, under USPAP, agree, or disagree, with the appraiser's opinion of value

### **2.6.7 - Requests for Revisions**

As indicated in REPM/Subsection 2.6.4, the review appraisers should attempt to complete the review of the appraisal report within 10 business days of its receipt. Once the review of a submitted draft of an appraisal report has been completed the reviewer will communicate the recommended modifications to the appraiser by email. If the reviewer encounters complex appraisal issues in the report being reviewed, that do not lend themselves to a written reply, they are encouraged to talk with the appraiser directly. The conversation should be followed up with an email highlighting the issues discussed. The review appraiser should indicate in READS that revisions were requested from the appraiser. The READS entry should be made as a diary entry (add diary entry tab) thru the log tab of the WisDOT appraisals section. This diary entry should not include any of the reviewer's comments to the appraiser. The email to the appraiser that contains the reviewer's comments should not be sent through READS. This email and the attached comments are part of the review appraiser's file and should not be placed in a location

where it is generally accessible. The information contained in the comments and email are considered a matter of public record and must be provided upon request; however, it should not be placed in a location which does not provide oversight of who accesses the information. Limitation of access to the information should reduce the possibility of misuse or misinterpretation of the comments and uncorrected content contained in the email.

The above process will repeat until the review appraiser is able to identify the appraisal report as accepted and recommended, or until it becomes apparent that the reviewer will be unable to approve the appraisal report under review. The review appraiser is not permitted to make any changes to the final signed hard copy, or electronic version of the appraisal report. The frequently asked questions section of USPAP indicates that simply changing the original appraisal report, in any way, without the consent of the original appraiser would be a violation of the conduct section of the ethics rule. If the appraiser consents to the changes then they should make the changes him or herself.

When the appraisal report has been accepted and recommended by the review appraiser, the reviewer should notify the appraiser to submit the final signed electronic copy of the appraisal and any hard copies, either required under their contract, or as part of their appraisal assignment. This notification should be made by an email produced through READS. Regional staff should be copied on the email to alert them to the fact that the appraisal report has received final approval.

#### **2.6.7.1 - Inability to Recommend or Approve Appraisal Report**

If the review appraiser is unable to recommend (or approve) an appraisal report as an adequate basis for the establishment of the offer of just compensation, there are several options that can be considered:

- An additional appraisal may be obtained. If there are multiple appraisals, the review appraiser can accept one (or more) and recommend (and approve) one. Additional appraisals must be requested through the real estate project manager.
- If it is determined by either BTS-RE management or regional RE management that it is not practical to obtain an additional appraisal, the reviewer may develop their own opinion of value. Per Standard 3 of USPAP the reviewer is not required to replicate the steps completed by the original appraiser [added: or appraisers]. Those items in the work under review that the reviewer concludes are credible can be extended to the reviewer's development process on the basis of an extraordinary assumption. Those items not deemed to be credible must be replaced with information or analysis developed in conformance with USPAP Standard 1, as applicable, to produce credible assignment results.
- The review appraiser may request that BTS-RE manager have another review appraiser review the appraisal.
- The review appraiser may write a new appraisal, if approved by BTS-RE management.

If the originally assigned review appraiser completes a review appraiser's determination of value, or a full independent appraisal, the resultant report should be reviewed by a different review appraiser.

### 2.6.7.2 - Appraisal Updating

The need for updating an appraisal during the review process can result from a couple circumstances:

- The most common situation is where project changes or delays have resulted in appraisal, or review delays that have caused the appraisal report to become stale (the effective date of the appraisal being 6 months, or more, old).
- New sales data has been brought to the attention of the negotiator or review appraiser.

If the reviewer determines that it is necessary to update an appraisal report, they should communicate the need in writing through an email generated in READS. The reason for the update should be clearly stated, and any new data included in the correspondence. The regional project manager should be copied on the email.

### 2.6.8 - Divergent Values – Multiple Appraisals

Often a review appraiser will be required to review more than one appraisal of the same property. Where there is more than one appraisal on a parcel it must be remembered that before a comparison or value determination is made, all of the appraisals must be subjected to the same standard appraisal review scope of work to determine if they meet the appropriate documentation standards and agency requirements. To ensure that the individual appraisal reports are comparable, all factual and technical errors must first be resolved. Once the appraisals have been corrected, or brought to a final condition, the appraisal reports can be compared, one to another.

The reviewer should compare the appraisal reports based upon factual data, as well as elements of the appraiser's judgement, as presented within the appraisal reports, and compare any differences. There should be no difference in the substance of the factual data; however, appraisers may disagree on the highest and best use, the damages to the remainder, the selection of a capitalization rate, the contributory value of improvements, types and amounts of depreciation, whether an item is real or personal property, or the comparability of certain comparable sales. When appraisers disagree on matters of judgment, the reviewer should analyze the elements of disagreement and determine the appropriate course of action. The reviewer could, after discussing the elements of disagreement with the assigned appraisers, ask one or more of the appraisers to reconsider their position on the elements of judgement in question or require that an appraiser provide additional data or rationale for his or her position. The reviewer must be careful not to direct or dictate an opinion to the any of the appraisers. All value related communication between the reviewer and the appraisers must be in writing and become part of the review file. After the attempts to reconcile divergences, the reviewer will usually have at least one appraisal that can be approved as the basis for the offer of just compensation. If, upon completion of the review process, significant divergences remain, the review appraiser's written report should point out the differences and explain why the reviewer recommended one appraisal and not the others.

If the review appraiser cannot approve and recommend any of the appraisals prepared for a specific parcel but agrees with each of the appraisers on different points of analysis, elements of each of the appraisals may be combined into a final review appraiser's determination of value. The review appraiser's determination of value can be completed per standard 3 of USPAP. The reviewer is not required to replicate the steps completed by the original appraiser [added: or appraisers]. Those items in the work under review that the reviewer concludes are credible can

be extended to the reviewer's development process on the basis of an extraordinary assumption. Those items not deemed to be credible must be replaced with information or analysis developed in conformance with USPAP Standard 1, as applicable, to produce credible assignment results. Under unusual circumstances, the determination may be so complex (possibly containing the review appraiser's independent research and analysis not contained in the original appraisal reports) that it stands alone as a separate appraisal. The reviewer's determination requires the same level of documentation and support as any other appraisal.

A review appraiser may suggest that an additional appraisal be conducted. Ideally, the new appraisal will confirm the value of one of the original appraisals. However, there is a risk that the new appraiser may come up with an entirely different value. When this happens, the review appraiser is back to resolving the problem with a "Review Appraiser's Determination."

### **2.6.9 - Appraisal Review Form (RE2128)**

When the appraisal report has been accepted and recommended by the review appraiser, the review appraiser will complete the following appraisal review areas of READS:

- The reviewer will confirm that the Allocation section of WisDOT Appraisals matches the approved and recommended appraisal report.
- Complete the appraisal review checklist.
- Complete the review details.

Once the above areas are completed the appraiser will be able to generate an appraisal review report. The report template is generated, and the initial fields populated, in READS. The reviewer will add whatever additional discussions and analysis they feel is required to meet the reporting standard (Standard 4) of USPAP. The reviewer must understand that the appraisal review form is a standardized template. As a template, the appraisal review form may present limitations (inflexibilities) to the reviewer when they are working within READS, which may not always allow him or her to meet USPAP reporting standards. However, this does not relieve the review appraiser of the responsibility to meet USPAP requirements. If necessary, the reviewer may have to download the report to their own computer and modify the review report, then upload the modified report back into READS. Whether the modification is necessary, and the extent of the possible modification, are direct functions of the complexity of the appraisal problem.

49 CFR Part 24.104(c) requires that the appraisal review report document any damages or benefits to any remaining property. This requirement will be met by the review appraiser reporting the final allocation of total damages as presented in the appraisal report, in the review comments section of the appraisal review report. The review appraiser should indicate that the value information being presented is not intended as an approval of the appraiser's value findings. The allocation information presented is intended as a documentation of facts contained within the appraisal report under review.

### **2.6.10 - Offering Price Report and Submittal Form (RE1894)**

When the appraisal report has been accepted and recommended by the review appraiser the reviewer will utilize READS to generate an offering price report and submittal form. The report template is generated, and the initial fields populated, in READS. The reviewer will add whatever additional discussions and analysis they feel is required to address the specific issues associated with the parcel under review. If the reviewer is unable to make the desired entries in

READS they may have to download the report to their own computer and modify the review report, then upload the modified report back into READS. Whether the modification is necessary, and the extent of the possible modifications, are direct functions of the complexity of the appraisal problem.

In the offering price report and submittal, the reviewer is required to sign a statement that says, "Having completed my analysis of the appraisal(s) submitted, and in consideration of all supporting material included, it is my opinion that the amount of just compensation is:" In signing this statement, the reviewer is not agreeing with the market value findings within the appraisal report. This would be contrary to USPAP unless the reviewer had completed their own appraisal. The reviewer is approving an amount of just compensation. While the market value determination from the reviewed appraisal report provides evidence of the amount of just compensation, it is not the same as just compensation. Nor is it the only evidence that is considered in determining just compensation. There will be times when the statewide review appraiser may need to consider issues not contained within the appraisal report (example: minimum payment adjustments). It is for this reason that the individual signing the offering price report and submittal is doing so as a designated employee of WisDOT and not as a licensed or certified appraiser. Therefore, the review appraiser will not include their license/certification information on the form, nor will they identify themselves as an appraiser. They will indicate their job title only (statewide or regional review appraiser).

#### **2.6.10.1 - Minimum Payments**

When the regional office establishes a minimum payment, as defined and discussed in REPM/Section 2.1, for a project, the amount of the minimum payment must be communicated to the review appraiser(s) assigned to the project. The effects of the minimum payment on specific parcels is a just compensation issue that must be addressed in the appraisal review and just compensation approval process.

When a minimum payment amount established for a project, is greater than the before and after damage findings, or value of the part taken, for a specific parcel, it will be necessary to increase the amount of just compensation so that it is consistent with the minimum payment requirements. The increase is not a recognition of market conditions, and it is not appropriate to handle the increase as an appraisal rounding factor in the appraisal report. The effects of a minimum payment must not be included in the appraisal analysis of the subject property. The increase is a policy issue associated with just compensation, and as such must be part of the just compensation approval process.

When completing the Offering Price Report and Submittal form (RE1894), the review appraiser will address the issue of minimum payment as an adjustment in the comments section of the form. The review appraiser will show the necessary adjustment to the findings of the appraiser, as stated in the appraisal report, and explain the need for the adjustment. The review appraiser will then identify and approve the amount of the minimum payment as just compensation. When entering the allocation of damages, for a specific parcel, in the READS, the entry for the minimum payment adjustment will be identified as Other under the appraisal allocation, with the description identifying the entry as just compensation adjustment for minimum payment.

### 2.6.10.2 - Alternate Offers

The Alternate Offers to Purchase Offering Price for Required Acquisition form (RE1975) is used to detail an offer made to the property owner to acquire uneconomic remnants not needed for highway construction. The initial indication of the possible existence of an uneconomic remnant comes from the findings of the appraisal report. The appraiser's determination of severance damages to the remainder gives the agency an indication of the remaining value. Based on the remaining value indication, regional management will determine if the remainder is an uneconomic remnant. If a remnant is determined to be uneconomic, the region will request an alternate offer approval from the review appraiser. This is typically done for relocation purposes when the department must offer to acquire the entire site (including the uneconomic remnant) to establish the appropriate base amount for the calculation of a replacement housing payment. There are other times when it may relieve an owner's concern about damages to the remainder, or when it is in the best interest of the department to purchase remnants.

**Note:** The purchase of such remnants cannot be handled as administrative revisions. The possibility of an alternate offer situation should be identified, whenever possible, prior to negotiations and prior to the approval of the offering price.

There are two types of alternate offers:

- Alternate A, which is acquisition of an entire property
- Alternate B, which is acquisition of one or more remnant tracts

The decision to acquire the entire property (Alternate A) or parts of the remnant that are economically viable (Alternate B), is made by the region, and the need for an alternate offer is communicated to the review appraiser. An Alternate Offers to Purchase Offering Price for Required Acquisition form (RE1975) will be completed and approved by the BTS-RE statewide review appraiser assigned to the parcel (except, a regional review appraiser may approve total offers of \$10,000 or less).

When performing the calculations for determining the amount of the alternate offer, the reviewer must be careful not to double pay for property contained within the uneconomic remnant being acquired. The following are a couple of typical issues that will need to be addressed in the calculation to avoid double payments:

- If there is a TLE within the area of the uneconomic remnant, the compensation identified for it must not be included in the alternate offer.
- If there is a PLE within the area of the uneconomic remnant, the compensation identified for it must not be included in the alternative offer.

As with the offering price report and submittal the alternate offers to purchase form addresses issues of just compensation and is not associated with market value. The review appraiser is not approving a modification of the market value findings of the original appraisal. This would be against USPAP. The review appraiser is completing this form, which is an alternative calculation of just compensation, and is approving (signing) the alternative calculation of just compensation as a designated employee of WisDOT and not as a licensed or certified appraiser. Therefore, the review appraiser will not include their license/certification information on the form, nor will they identify themselves as an appraiser. They will indicate their job title only.

### 2.6.11 - Property Owner Appraisals

49 CFR Part 24.102(f) – Basic negotiation procedure, states (in part) that the owner shall be given reasonable opportunity to consider the offer and present material which the owner believes is relevant to determining the value of the property, and to suggest modification in the proposed terms and conditions of the purchase. WisDOT shall consider the owner's presentation (appraisal). As part of its process of considering the property owner's appraisal, the regional office is encouraged to utilize the expertise of the review appraisers (region or statewide) assigned to the project. The region has the discretion to determine what portions of the property owner's appraisal they want the reviewers to comment on. The regional office must understand that unless they authorize the review appraiser to perform their own appraisal, they cannot ask the reviewer for their opinion of the value presented in the property owner's appraisal. If the reviewer is not authorized to establish their own opinion of value, their comments must be limited to issues of quality and appropriateness of analysis. They can verify factual data and check technical issues in the appraisal. When requesting the review of a property owner's appraisal the regional office must discuss a delivery time, with the review appraiser, that allows the review appraiser adequate time to undertake the level of analysis requested.

If the regional office, or anyone else requests the review appraiser to review a property owner's appraisal, the reviewer must adhere to the same USPAP requirements that govern the review of appraisals prepared for WisDOT.

### 2.6.12 Appraiser Performance Standards

Appraiser performance issues will be handled on a case by case basis. If, during the appraisal or appraisal review process, an appraiser fails to perform satisfactorily, or whenever it is suspected that an appraiser may be struggling, or for whatever reason(s) concern is raised, the region must address these concerns with the appraiser immediately and, if necessary, with BTS-RE management. The region should be prepared to indicate what the appraiser is doing (or not doing) that is substandard, what needs to be corrected, and afford the appraiser a timeline to bring their work up to standards and otherwise, into compliance. REPM/Subsections 2.1.16 and 2.1.17 address the steps to be taken to address appraiser performance.

The review appraiser has a role in identifying possible performance problems with appraisers being reviewed; however, the primary role of the review appraiser is to review an appraiser's appraisal report, not to enforce contracting or staffing issues. If the review appraiser has issues associated with the appraiser's performance, they should direct their comments to the regional office who hired the appraiser (if a fee appraiser), or by whom the appraiser is employed (if a staff appraiser). The review appraiser is not barred from discussing performance issues directly with the appraiser; however, ultimate responsibility for dealing with underperforming appraisers rests with the regional office.