



2.0 - GENERAL APPRAISAL POLICY

Appraisals prepared for the Wisconsin Department of Transportation (WisDOT) under Chapter 2 are intended for use in the eminent domain (condemnation) process, and as such they are condemnation appraisals. As condemnation appraisals, the principles, concepts and methods applied to appraisals prepared under Chapter 2 are required to adhere to the regulations, statutes and case law that address the process of developing and reporting condemnation appraisals. These rules may not necessarily affect appraisals prepared for purposes other than eminent domain, but they must be applied to condemnation appraisals prepared for eminent domain in the State of Wisconsin. Appraisals and appraisal reviews performed in compliance with the standards established by Chapter 2 of the Real Estate Program Manual (REPM) are intended to be compliant with the Uniform Standards of Professional Appraisal Practice (USPAP), 49 Code of Federal Regulations (CFR), Part 24, and Wisconsin Statutes.

This section is intended to lay the foundation for WisDOT's appraisal program. When appropriate, text from each source is included to avoid the need for links to external sources within the body of Chapter 2.

- REPM/Section 2.0.1 identifies the rules under which WisDOT operates; the department's authority to act and the responsibilities that come with that authority. It also contains those portions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (Uniform Act), 49 Code of Federal Regulations (CFR), Part 24 and Wisconsin Statutes that address eminent domain appraisals.
- REPM/Section 2.0.2 contains a discussion of just compensation.
- REPM/Section 2.0.3 identifies key terms, which are needed to understand the appraisal process and the preparation of appraisal reports.

The definitions of appraisal and appraisal report are presented below to facilitate an appropriate presentation of REPM/Sections 2.0.1 and 2.0.2.

Appraisal

- USPAP defines appraisal as:
(noun) The act or process of developing an opinion of value; an opinion of value.
- 49 CFR Part 24.2(a)(3) defines appraisal as:
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.

Appraisal Report

- The Dictionary of Real Estate Appraisal, Sixth Edition, published by The Appraisal Institute defines appraisal report (report) as:

The final communication, written or oral, of an appraisal or review transmitted to the client. Finality is evidenced by the presence of the valuer's signature in a written report or a statement of finality in an oral report.

Note: The reference from the CFR presented above utilizes the term appraisal to represent both the appraisal development process, defined above by USPAP as an appraisal, and the written report, defined above by the Dictionary of Real Estate Appraisal as an appraisal report. The reader must consider the context of the references from the CFR that utilize the term appraisal, or appraise, and determine whether the reference is to the appraisal development process or the written appraisal report. The inconsistent use of the term appraisal is confined to the references from the CFR and are not an issue in the remainder of REPM/Chapter 2.

2.0.1 - Federal and State Rules and Authorizations

The United States and Wisconsin Constitutions provide that no private property can be taken for a public use without just compensation. The Uniform Act dictates that just compensation will be established by means of an appraisal. 49 Code of Federal Regulations Part 24 (49 CFR Part 24) sets forth requirements for acquiring agencies when performing an appraisal for property that is to be acquired for projects using federal funds or federal-aid projects. Section 32.05 and 32.09, Wis. Stats. address specific legislative issues associated with an appraisal developed for eminent domain purposes in the State of Wisconsin.

This section addresses Federal rules, as established by The Uniform Act and the resultant 49 Code of Federal Regulations Part 24 (49 CFR Part 24). It also addresses Section 32.05 and 32.09, Wis. Stats. These federal rules and state statutes layout the rules that WisDOT must follow in delivering its appraisal program. The identified federal rules and state statutes also address WisDOT's responsibility to complete appraisals as part of the eminent domain process as well as identifying the department's authority to engage in the activities necessary to complete the needed appraisals.

Later sections of Chapter 2 will set out the specific department policies associated with developing an appraisal report for WisDOT, which have been established by the Bureau of Technical Services – Real Estate (BTS-RE). The BTS-RE will be referred to as the agency throughout REPM/Chapter 2.0 (This reference is consistent with the text of the cited federal regulations).

2.0.1.1 - Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601 et seq.) (Uniform Act)

42. U.S.C Sec. 4651(1-3) - Uniform policy on real property acquisition practices states:

In order to encourage and expedite the acquisition of real property by agreements with owners, to avoid litigation and relieve congestion in the courts, to assure consistent treatment for owners in the many federal programs, and to promote public confidence in federal land acquisition practices, heads of federal agencies shall, to the greatest extent practicable, be guided by the following policies:

1. The head of a federal agency shall make every reasonable effort to acquire expeditiously real property by negotiation.

2. Real property shall be appraised before the initiation of negotiations, and the owner or his designated representative shall be given an opportunity to accompany the appraiser during his inspection of the property, except that the head of the lead agency may prescribe a procedure to waive the appraisal in cases involving the acquisition by sale or donation of property with a low fair market value (Waiver Valuation).
3. Before the initiation of negotiations for real property, the head of the federal agency concerned shall establish an amount which he believes to be just compensation therefor and shall make a prompt offer to acquire the property for the full amount so established. In no event shall such amount be less than the agency's approved appraisal of the fair market value of such property. Any decrease or increase in the fair market value of real property prior to the date of valuation caused by the public improvement for which such property is acquired, or by the likelihood that the property would be acquired for such improvement, other than that due to physical deterioration within the reasonable control of the owner, will be disregarded in determining the compensation for the property. The head of the federal agency concerned shall provide the owner of real property to be acquired with a written statement of, and summary of the basis for, the amount he established as just compensation. Where appropriate the just compensation for the real property acquired and for damages to remaining real property shall be separately stated.

2.0.1.2 - 49 Code of Federal Regulations (CFR), Part 24.102 – Basic Acquisition Policies

49 CFR Part 24.102(c)(1) – Before the initiation of negotiations the real property to be acquired shall be appraised, except as provided in 49 CFR Part 24.102 (c)(2), 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.

49 CFR Part 24.102(c)(2)(i thru ii) – An appraisal is not required if:

- i. The owner is donating the property and releases the agency from its obligation to appraise the property; or
- ii. The agency determines that an appraisal is unnecessary because the valuation problem is uncomplicated and the anticipated value of the proposed acquisition is estimated at \$10,000 or less, based on a review of available data.
 - A. When an appraisal is determined to be unnecessary, the agency shall prepare a waiver valuation.
 - B. The person performing the waiver valuation must have sufficient understanding of the local real estate market to be qualified to make the waiver valuation.
 - C. The federal agency funding the project may approve exceeding the \$10,000 threshold, up to a maximum of \$25,000, if the agency acquiring the real property offers the property owner the option of having the agency appraise the property. If the property owner elects to have the agency appraise the property, the agency shall obtain an appraisal and not use procedures described in this paragraph.

49 CFR Part 24.102(n)(1) – The appraiser, review appraiser or person performing the waiver valuation shall not have any interest, direct or indirect, in the real property being valued for the agency. Compensation for making an appraisal or waiver valuation shall not be based on the amount of the valuation estimate.

49 CFR Part 24.102(n)(2) – No person shall attempt to unduly influence or coerce an appraiser, review appraiser, or waiver valuation preparer regarding any valuation or other aspect of an appraisal, review or waiver valuation. Persons functioning as negotiators may not supervise or formally evaluate the performance of any appraiser or review appraiser performing appraisal or appraisal review work, except that, for a program or project receiving federal financial assistance, the federal funding agency may waive this requirement if it determines it would create a hardship for the agency.

49 CFR Part 24.102(n)(3) – An appraiser, review appraiser, or waiver valuation preparer making an appraisal, appraisal review or waiver valuation may be authorized by the Agency to act as a negotiator for real property for which that person has made an appraisal, appraisal review or waiver valuation only if the offer to acquire the property is \$10,000, or less.

2.0.1.3 - 49 Code of Federal Regulations, Part 24.103 – Criteria for Appraisals

49 CFR Part 24.103(a) – This section sets forth the requirements for real property acquisition appraisals for federal and federally-assisted programs. Appraisals are to be prepared according to these requirements, which are intended to be consistent with USPAP. The agency may have appraisal requirements that supplement these requirements including, to the extent appropriate, the Uniform Appraisal Standards for Federal Land Acquisition (UASFLA) also known as the Yellow Book.

49 CFR Part 24.103(a)(1) - The agency acquiring real property has a legitimate role in contributing to the appraisal process, especially in developing the scope of work and defining the appraisal problem. The scope of work and development of an appraisal under these requirements depends on the complexity of the appraisal problem.

49 CFR Part 24.103(a)(2) – “The agency has the responsibility to assure that the appraisals it obtains are relevant to its program needs, reflect established and commonly accepted federal and federally-assisted program appraisal practice, and at a minimum, complies with the definition of appraisal.....”

49 CFR Part 24.103(a)(2)(i thru v) identifies the 5 following appraisal requirements:

- i. The appraiser must provide an adequate description of the physical characteristics of the property being appraised (and, in the case of a partial acquisition, an adequate description of the remaining property), including items identified as personal property, a statement of the known and observed encumbrances, if any, title information, location, zoning, present use, an analysis of highest and best use, and at least a 5-year sales history of the property.
- ii. The appraiser must consider all relevant and reliable approaches to value consistent with established federal and federally-assisted program appraisal practices. If the appraiser uses more than one approach, there shall be an analysis and reconciliation of approaches to value used that is sufficient to support the appraiser’s opinion of value.
- iii. The appraiser must provide a description of comparable sales, including a description of all relevant physical, legal, and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.

- iv. The appraiser must provide a statement of the value of the real property to be acquired and, for a partial acquisition, a statement of the damages and benefits, if any, to the remaining real property, where appropriate.
- v. The appraiser must provide the effective date of the valuation, date of appraisal, signature, and certification of the appraiser.

49 CFR Part 24.103(b) - Influences of the Project on Just Compensation. The appraiser shall disregard any decrease or increase in the fair market value of the real property caused by the project for which the property is to be acquired, or by the likelihood that the property would be acquired for the project, other than that due to physical deterioration within the reasonable control of the owner.

49 CFR Part 24.103(d)(1-2) - Qualifications of Appraisers and Review Appraisers.

- (1) The agency shall establish criteria for determining the minimum qualifications and competency of appraisers and review appraisers. Qualifications shall be consistent with the scope of work for the assignment. The agency shall review the experience, education, training, certification/licensing, designation(s) and other qualifications of appraisers and review appraisers, and use only those determined by the agency to be qualified.
- (2) If the agency uses a contract (fee) appraiser to perform the appraisal, such appraiser shall be state licensed or certified in accordance with title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) (12 U.S.C. 3331 et seq.). WisDOT requires that any consultant hired to appraise on a WisDOT project be state licensed or certified, under Chapter 458 of the Wisconsin Statutes.

2.0.1.4 - 49 Code of Federal Regulations, Part 24.104 – Review of Appraisals

The agency shall have an appraisal review process and, at a minimum:

49 CFR Part 24.104(a) - A qualified review appraiser shall examine the presentation and analysis of market information in all appraisals to assure that they meet the definition of appraisal found in 49 CFR Part 24.2(a)(3), appraisal requirements found in 49 CFR Part 24.103 and other applicable requirements, including, to the extent appropriate, the UASFLA, and support the appraiser's opinion of value.

- The level of review analysis depends on the complexity of the appraisal problem.
- As needed, the review appraiser shall, prior to acceptance, seek necessary corrections or revisions.
- The review appraiser shall identify each appraisal report as recommended (as the basis for the establishment of the amount believed to be just compensation), accepted (meets all requirements, but not selected as recommended or approved), or not accepted.
- If authorized by the agency to do so, the staff review appraiser shall also approve the appraisal (as the basis for the establishment of the amount believed to be just compensation), and, if also authorized to do so, develop and report the amount believed to be just compensation.

49 CFR Part 24.104(b) – If the review appraiser is unable to recommend (or approve) an appraisal as an adequate basis for the establishment of the offer of just compensation, and it is determined by the acquiring agency that it is not practical to obtain an additional

appraisal, the review appraiser may, as part of the review, present and analyze market information in conformance with CFR 24.103 to support a recommended (or approved) value.

49 CFR Part 24.104(c) – The review appraiser shall prepare a written report that identifies the appraisal reports reviewed and documents the findings and conclusions arrived at during the review of the appraisal(s). Any damages or benefits to any remaining property shall be identified in the review appraiser's report. The review appraiser shall also prepare a signed certification that states the parameters of the review. The certification shall state the approved value, and, if the review appraiser is authorized to do so, the amount believed to be just compensation for the acquisition.

2.0.1.5 - 49 Code of Federal Regulations, Part 24.105 – Acquisition of Tenant Owned Improvements

49 CFR Part 24.105(a) - Acquisition of improvements. When acquiring any interest in real property, the agency shall offer to acquire at least an equal interest in all buildings, structures, or other improvements located upon the real estate to be acquired, which it requires to be removed or which it determines will be adversely affected by the use to which such real property will be put. This shall include any improvement of a tenant-owner who has the right or obligation to remove the improvement at the expiration of the lease term.

49 CFR Part 24.105(b) - Improvements considered to be real property. Any building, structure, or other improvement, which would be considered to be real property if owned by the owner of the real property on which it is located, shall be considered to be real property for the purposes of this subpart.

49 CFR Part 24.105(c) - Appraisal and Establishment of Just Compensation for a Tenant-Owned Improvement. Just compensation for a tenant-owned improvement is the amount which the improvement contributes to the fair market value of the whole property, or its salvage value, whichever is greater.

2.0.1.6 - Wisconsin State Statutes

Section 32.05(2)(a) – The condemner shall cause at least one, or more in the condemner's discretion, appraisal to be made of all property proposed to be acquired. In making any such appraisal the appraiser shall confer with the owner or one of the owners, or the personal representative of the owner or one of the owners, if reasonably possible.

Section 32.09(1) – The compensation so determined and the status of the property under condemnation for the purpose of determining whether severance damages exist shall be as of the date of evaluation as fixed by Section 32.05(7)(c) or 32.06(7), Wis. Stats.

Section 32.09(1m)(a-b)

a) As a basis for determining value, a commission in condemnation or a court shall consider the price and other terms and circumstances of any good faith sale or contract to sell and purchase comparable property. A sale or contract is comparable

- within the meaning of this paragraph if it was made within a reasonable time before or after the date of evaluation and the property is sufficiently similar in the relevant market, with respect to situation, usability, improvements, and other characteristics, to warrant a reasonable belief that it is comparable to the property being valued.
- b) As a basis for determining value, a commission in condemnation or a court shall consider, if provided by the condemnor or condemnee, an appraisal based on the income approach and an appraisal based on the cost approach.

Section 32.09(2) – In determining just compensation the property sought to be condemned shall be considered on the basis of its most advantageous use but only such use as actually affects the present market value. (This section references the appraiser’s highest and best use analysis).

Section 32.09(2m) – In determining just compensation for property sought to be condemned in connection with the construction of facilities, any increase in the market value of such property occurring after the date of evaluation but before the date upon which the lis pendens is filed shall be considered and allowed to the extent it is caused by factors other than the planned facility.

Section 32.09(3) – Special benefits accruing to the property and affecting its market value because of the planned public improvement shall be considered and used to offset the value of property taken or damages under Sec. 32.09(6), Wis. Stats., but in no event shall such benefits be allowed in excess of damages described under Sec. 32.09(6), Wis. Stats.

Section 32.09(4) –“If a depreciation in value of property results from an exercise of the police power, even though in conjunction with the taking by eminent domain, no compensation may be paid for such depreciation.....”

Section 32.09(5)(a-b)

- a) “In the case of a total taking the condemnor shall pay the fair market value of the property taken....”
- b) Any increase or decrease in the fair market value of real property prior to the date of evaluation caused by the public improvement for which such property is acquired, or by the likelihood that the property would be acquired for such improvement, other than that due to physical deterioration within the reasonable control of the owner, may not be taken into account in determining the just compensation for the property.

Section 32.09(6)(a-g) - In the case of a partial taking of property other than an easement, the compensation to be paid by the condemnor shall be the greater of either the fair market value of the property taken as of the date of evaluation or the sum determined by deducting from the fair market value of the whole property immediately before the date of evaluation, the fair market value of the remainder immediately after the date of evaluation, assuming the completion of the public improvement and giving effect, without allowance of offset for general benefits, and without restriction because of enumeration but without duplication, to the following items of loss or damage to the property where shown to exist:

- a) Loss of land including improvements and fixtures actually taken.
- b) Deprivation or restriction of existing right of access to highway from abutting land, provided that nothing herein shall operate to restrict the power of the state or any of its subdivisions or any municipality to deprive or restrict such access without compensation under any duly authorized exercise of the police power.
- c) Loss of air rights.
- d) Loss of a legal nonconforming use.
- e) Damages resulting from actual severance of land including damages resulting from severance of improvements or fixtures and proximity damage to improvements remaining on condemnee's land. In determining severance damages under this paragraph, the condemnor may consider damages which may arise during construction of the public improvement, including damages from noise, dirt, temporary interference with vehicular or pedestrian access to the property and limitations on use of the property. The condemnor may also consider costs of extra travel made necessary by the public improvement based on the increased distance after construction of the public improvement necessary to reach any point on the property from any other point on the property.
- f) Damages to property abutting on a highway right-of-way due to change of grade where accompanied by a taking of land.
- g) Cost of fencing reasonably necessary to separate land taken from remainder of condemnee's land, less the amount allowed for fencing taken under par.(a), but no such damage shall be allowed where the public improvement includes fencing of right-of-way without cost to abutting lands.

Section 32.09(6g) - In the case of the taking of an easement, the compensation to be paid by the condemnor shall be determined by deducting from the fair market value of the whole property immediately before the date of evaluation, the fair market value of the remainder immediately after the date of evaluation, assuming the completion of the public improvement and giving effect, without allowance of offset for general benefits, and without restriction because of enumeration but without duplication, to the items of loss or damage to the property, where shown to exist.

2.0.2 - Rules of Just Compensation

The Appraisal Institute's Real Estate Valuation in Litigation 2nd Edition states that the term just compensation is not defined in the U.S. Constitution or in any state constitution. It has been up to the courts to interpret and define the term, and they have generally held that just compensation is measured by market value. Infrequently, the courts have deviated from this concept, most notably when the property has no ascertainable market value.

The Yellow Book states that just compensation is measured by the owner's loss, not the government's gain.

Just Compensation

- The Appraisal Institute's Dictionary of Real Estate Appraisal 6th Edition defines just compensation as:

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken.

An appraisal is not a statement of just compensation. An appraisal measures the market value of an acquisition (value of the part taken), or a change in market value resulting from an acquisition (before and after). The Appraisal Institute's Real Estate Valuation in Litigation 2nd Edition states that market value is not necessarily the equivalent of just compensation, but rather a useful and generally sufficient tool for arriving at this (determination of just compensation). Appraisers do not determine just compensation. They estimate value and the agency determines just compensation for the initial offer. 49 CFR Part 24.103(d) states that before the initiation of negotiations, the agency shall establish an amount which it believes is just compensation for the real property. The amount shall not be less than the approved appraisal of the fair market value of the property, taking into account the value of allowable damages or benefits to any remaining property. An agency official must establish the amount believed to be just compensation. In the case of condemnation, the courts will determine just compensation.

In all matters involving the determination of just compensation in eminent domain proceedings, Section 32.09, Wis. Stats. must be followed. For a partial taking other than an easement, Section 32.09, Wis. Stats. requires WisDOT to pay the greater of either the fair market value of the property taken or the sum determined by the difference in the before and after values. Section 32.09, Wis. Stats. also recognizes the potential for special benefits accruing to the property and affecting its market value as a direct result of the planned public improvement. Special benefits are included in REPM/Section 2.0.2, because, as stated in the Yellow Book, direct and special benefits are a form of just compensation, no different than a monetary award or payment.

2.0.2.1 - Before and After Rule Versus the Value of the Part Taken

As stated in REPM/Subsection 2.0.1.6, Section 32.09(6), Wis. Stats., in the case of a partial taking of property other than an easement, the compensation to be paid by the condemnor shall be the greater of either **the fair market value of the property taken as of the date of evaluation or the sum determined by deducting from the fair market value of the whole property immediately before the date of evaluation, the fair market value of the remainder immediately after the date of evaluation,** (emphasis added) assuming the completion of the public improvement and giving effect, without allowance of offset for general benefits, and without restriction because of enumeration but without duplication, to the following items of loss or damage to the property where shown to exist:

Damages

- The Dictionary of Real Estate Appraisal, Sixth Edition, published by the Appraisal Institute defines damages as:

In condemnation, the loss in value to the remainder in a partial taking of property. Generally, the difference between the value of the whole property before the taking and the value of the remainder after the taking is the measure of the value of the part taken and the damages to the remainder.

Severance Damages

- The Appraisal Institute's Real Estate Valuation In Litigation 2nd Edition defines severance damages as:
The diminution of the market value of the remainder area, in the case of a partial taking, which arises (a) by reason of the taking, and/or (b) the construction of the improvement in the manner proposed.

2.0.2.1.1 - Before and After Rule (Appraisal Method)

Before and After Rule

- The Dictionary of Real Estate Appraisal, Sixth Edition, published by the Appraisal Institute defines the before and after rule as:
In eminent domain valuation, a procedure in which just compensation is measured as the difference between the value of the entire property before the taking and the value of the remainder after the taking.
- The Yellow Book says the following about the before and after rule:
In partial acquisitions, these standards require application of the before and after rule, also known as the federal rule, in which the appraiser estimates both the market value of the larger parcel before the government's acquisition and the market value of the remainder property after the government's acquisition. Requiring this method of valuation allows acquiring agencies, the Department of Justice, and the courts to calculate a reasonable measure of compensation by deducting the appraiser's estimated remainder or after value from the appraiser's estimate of the larger parcel's before value. The result of this procedure is a figure that includes the value of the property acquired as well as any compensable damages and/or special benefits to the remainder property.

Appraisers should note that these are two separate appraisal analyses that must take place during the development phase of the appraisal process of the appraisal assignment. The first addresses the before condition value of the larger parcel with a second analysis that addresses the value of the remainder after the acquisition. The level of documentation, and depth of analysis presented in the reporting phase of the appraisal process will be determined by the complexity of the appraisal problem and the nature of the impacts to the remainder of the larger parcel. If the appraiser is unsure of the level of analysis, or documentation, that is appropriate to a specific appraisal assignment, they should consult with the assigned review appraiser.

The difference between the before value and after value will include the contributory value of the property acquired together with any potential severance (compensable) damages and/or special benefits to the remaining property (after value). The analysis performed under the before and after rule will not specifically identify what portion of the resultant value consists of contributory value and what portion of the value consists of severance damages or special benefits. WisDOT, however, is required to identify what the contributory value of the property taken is and how much the severance damages/special benefits to the remainder are. To meet this requirement, the appraiser will be required to estimate the value of the part taken to cover the contributory value of the property acquired, and then subtract it from the before and after findings to determine the amount of severance damages or special benefits. If

subtracting the value of the part taken from the sum of the difference between the before and after value results in a positive amount, this will indicate a severance damage. If the result is a negative amount (the sum of the difference between the before and after values is less than the value of the part taken) then this will indicate a potential special benefit.

2.0.2.1.2 - Value of the Part Taken

Prior to 1978, compensation for a partial taking, under Section 32.09(6) Wis. Stats. was based solely on the before and after appraisal method, which includes the value of the property acquired as well as any severance damages/special benefits. Chapter 440 of the Laws of 1977 added the following language (underlined below) to recognize an alternate method of computing compensation, the Value of the Part Taken:

“[T]he compensation to be paid by the condemnor shall be the greater of either the fair market value of the property taken as of the date of evaluation or the sum determined by deducting from the fair market value of the whole property immediately before the date of evaluation, the fair market value of the remainder immediately after the date of evaluation, assuming the completion of the public improvement ...”

A legislative support agency accompanying the bill that became law states:

“This section of the bill modifies the current before and after rule for determining the just compensation in a partial taking of property other than an easement. The added language allows a greater recovery if the fair market value of the property taken exceeds the before and after value. This reduces the possibility of an award of zero, which can occur under the current statute if the remainder is worth as much or more than the whole property before the taking....”

The value of the part taken lies in its contributory value (REPM/Subsection 2.4.2.1) to the larger parcel (REPM/Subsection 2.4.1). The value of the larger parcel determines a unit value (per acre, square foot, etc.) that is applied to the part taken. The unit value of the part taken is the same as the unit value of the larger parcel in the before condition. The value of the part taken does not apply only to the land that is acquired. The concept of the value of the part taken applies to any and all site improvements (landscaping, fencing, driveways, etc.) that fall within the area of the taking.

The value of the part taken does not include severance damages. To determine severance damages a before and after analysis must be performed.

2.0.2.2 - Benefits

The Yellow Book states that federal acquisitions and the projects they serve can also enhance properties' market value, often raising complicated valuation questions. Under federal law, compensation for a partial acquisition must reflect any direct and special benefits to the remainder due to the government project. Indirect and general benefits, on the other hand, are not considered because they are enjoyed by the public as a whole rather than arising from an acquisition's particular impact on a specific property. As with damages, appraisers must be aware that the legal rules regarding what

constitutes indirect (general) benefits and what constitutes direct (special) benefits may differ between state and federal rules. The extent of a benefit to a remainder parcel is a fact question that must be well supported by the appraiser. Whether the benefit is general or direct (special) is a mixed fact/law question. Distinctions between these types of benefits are discussed in more detail below.

2.0.2.2.1 - General Benefits

A general benefit is an increase in the value that is common to many properties in the area that may be either on or off the project.

Example: A new street with parking, and curb and gutter replaces the original street that had shoulders and ditches.

Section 32.09(6), Wis. Stats. “In the case of a partial taking of property other than an easement, the compensation to be paid by the condemnor shall be the greater of either the fair market value of the property taken as of the date of evaluation or the sum determined by deducting from the fair market value of the whole property immediately before the date of evaluation, the fair market value of the remainder immediately after the date of evaluation, assuming the completion of the public improvement and giving effect, without allowance of offset for general benefits, and without restriction because of enumeration but without duplication....”

General Benefits

- The Appraisal Institute’s Dictionary of Real Estate Appraisal 6th Edition defines general benefits as:
In eminent Domain takings, the benefits that accrue to the community at large, to the area adjacent to the improvement, or to other property situated near a taken property.

As stated in Section 32.09(6), Wis. Stats. general benefits cannot be used to offset severance damages or any portion of the value of the real estate acquired. Even though the after value may be higher, the owner should still receive the value of the part taken.

2.0.2.2.2 - Special Benefits

Special Benefits arise because of the unique relationship between the remaining property, in a partial acquisition, and the completed public project.

Section 32.09(3), Wis. Stats. states special benefits accruing to the property and affecting its market value because of the planned public improvement shall be considered and used to offset the value of property taken or damages under Section 32.09(6), Wis. Stats., but in no event shall such benefits be allowed in excess of damages described under 32.09(6), Wis. Stats.

Special Benefits

- The Appraisal Institute’s Dictionary of Real Estate Appraisal 6th Edition defines special benefits as:

In condemnation, the benefits that arise from the peculiar relation of the land in question to the public improvement, usually resulting from a change in its highest and best use. Special benefits may accrue to multiple parcels (such as all four quadrants of a newly constructed freeway interchange) because the parcels are directly benefitted in a similar manner, if not to the same degree.

- The Yellow Book provides the following guidance for special benefits in a before and after analysis:

Appraisers should give the same consideration to benefits as they do to damages in developing an opinion of the market value of remainder properties. Benefits can take many forms, such as when the project has caused the remainder to have lake frontage, frontage on a better road, more convenient access, improved drainage, irrigated land, and an improved view. An upward shift in highest and best use of the remainder property is often an indication of direct (special) benefits, and direct benefits must be considered when appraisers develop an opinion of the value of remainder properties, even though other lands may have the same benefits from the project.

Before an appraiser can find that special benefits have accrued to the remaining property, they must first find that the benefit is peculiar to the remaining property. As with severance damages a before and after analysis must be performed to identify the effects of special benefits.

Section 32.09(6), Wis. Stats. requires that compensation for a partial taking be based on the greater of the difference between the before and after value or the value of the part taken. In cases where there are likely to be increases in the after value for any reason, a before and after appraisal shall be done. The formula to determine damages is the before value minus after value. If the after-condition unit value increases, total damages by this method will decrease. The difference between the before and after values should be compared to the value of the part taken as a part of the whole to determine correct compensation. If the unit value increases due only to a reduction in size, the before and after damages will be less than the value of the part taken as a part of the whole and compensation should be based on the part taken calculation. The principle is that you cannot assess benefits to a property just because land was taken from it. If the after-condition unit value increases because of a change caused by the project or construction outside of the site being considered, then a benefit to the remaining property has occurred.

Note: If the appraiser is contemplating the potential for identifying special benefits in their appraisal they must consult the assigned review appraiser and WisDOT legal counsel first.

2.0.2.3 - Non-Compensable (Consequential) Damages

Non-Compensable Damage

- A damage or loss in value, to a property, for which a property owner is not entitled to compensation.

The term Consequential Damages describes the kind of damages that are typically considered non-compensable. Definitions for consequential damages are provided below.

Note: It was necessary to include definitions from multiple sources, because no single source provided adequate clarification or direction on the issue of what is considered non-compensable. Ultimately non-compensability is determined by statute and the courts and appraiser's need to seek the advice of WisDOT's legal counsel when addressing issues of potential non-compensability.

Consequential Damages

- The Appraisal Institute's Dictionary of Real Estate Appraisal 6th Edition defines consequential damages as:
In condemnation, damages to a property resulting from governmental actions (such as a taking) or the actions of property owners (such as construction) on other lands. Consequential damages may be considered non-compensable in certain jurisdictions.
- The Appraisal Institute's Real Estate Valuation in Litigation 2nd Edition defines consequential damages as:
A damage to property arising as a consequence of a taking and/or construction on other lands.

The consequential damages defined above are primarily related to the actions taken on one property that affects the value of another property. If the state acquires Property A and this affects the value of Property B this would be a consequential damage to Property B and would likely be non-compensable. The above definitions are not designed specifically for use in eminent domain; however, the following information provided by the Yellow Book provides more appropriate guidance.

The Yellow Book states the following about Non-Compensable (Consequential) Damages:

Because the compensability of a particular aspect of damage stems from its treatment in the open market between willing buyers and sellers, losses that are not reflected in sales prices in the private market cannot be considered in federal acquisitions. Applying this principle, federal courts have determined that the following losses are not compensable under the Fifth Amendment. The following is only a partial list of the non-compensable items provided in the Yellow Book. Some of the items excluded from the list included relocation issues that are reimbursable under the relocation program, and some items were not of a sufficient clarity to include in a list of this sort. The items listed below are tied to the real estate or the owner's activities on the real estate:

- loss of business value or going concern value;
- loss of or damage to goodwill;
- future loss of profits;
- frustration of plans;
- frustration of contract or contractual expectations;
- loss of opportunity or business prospect;
- frustration of an enterprise;

- loss of customers;
- increased production or management costs;
- and interference with development agreements

Such losses must be disregarded—even if proved—because by law, they are not compensable under the Fifth Amendment.

If the appraiser is unsure about the compensability of a specific taking from, or impact to, a property they should consult with the assigned review appraiser and WisDOT legal counsel.

2.0.2.3.1 - Police Power and Its Effect on Just Compensation

A non-compensable item of damage that does not fall within the realm of consequential damages is any damages resulting from an exercise of police power. Any loss in value, or damage, experienced by an affected property, resulting from an exercise of police power is non-compensable. See Section 32.09(4), Wis. Stats. in REPM/Subsection 2.0.1.6.

Police Power

- The Dictionary of Real Estate Appraisal 6th Edition published by the Appraisal Institute defines police power as:
The inherent power of government to regulate property in order to protect public health, safety and general welfare.

A government's authority to exercise police power is not established by the constitution. It is an inherent power of the sovereign (government), along with the power of eminent domain, the power of taxation and the power of escheat. Police power includes the power to make laws governing safety, health, welfare, and morals. State legislatures exercise their police power by enacting statutes, and they also delegate much of their police power to counties, cities, towns, villages, and large boroughs within the state. Police power does not specifically refer to the right of state and local government to create police forces, although the police power does include that right. Police power is also used as the basis for enacting a variety of substantive laws in such areas as the establishment of zoning ordinances, land use, fire and building codes, discrimination, parking, licensing of professionals, liquor, motor vehicles, bicycles, nuisances, schooling, and sanitation. The primary areas of concern, for the purposes of appraisals prepared for WisDOT are, access control (REPM/Subsection 2.4.5.4), issues associated with zoning and other land use regulations.

Under most circumstances, any real property value loss resulting from an exercise of police power is considered to be non-compensable. However, if the exercise of police power deprives an affected property owner of all, or practically all use of the affected property, then the non-compensable police power action may become a regulatory taking, requiring compensation.

Regulatory Taking

- The following definition has been created for the WisDOT REPM:
A regulatory taking is a situation in which a government regulation limits the uses of private property to such a degree that the regulation

effectively deprives an affected property owner of all, or practically all use of the affected property, even though the regulation does not formally divest them of title to it.

Note: If the appraiser is involved in appraising a partial acquisition on a property where police power is also being exercised, they should consult with WisDOT legal counsel to determine the compensability of specific changes to the subject of the appraisal.

2.0.3 - Definitions

The definitions provided in this section relate to the broader practice of preparing appraisals under the eminent domain process.

Condemnation

- The Appraisal Institute's Dictionary of Real Estate Appraisal 6th Edition defines condemnation as:
The act or process of enforcing the right of eminent domain.

Eminent Domain

- The Appraisal Institute's Dictionary of Real Estate Appraisal 6th Edition defines eminent domain as:
The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the US Constitution, also known as the takings clause, guarantees payment of just compensation upon appropriation of private property.

UASFLA – Uniform Appraisal Standards for Federal Land Acquisitions – Standards developed by the Interagency Land Acquisition Conference, an organization composed of representatives of federal agencies engaged in the acquisition of real estate for public uses, for appraisals prepared for federal land acquisitions. These standards are recognized as guidelines for appraisals prepared under 49 CFR Part 24.103(a) provided in REPM/Subsection 2.0.1.3 above. WisDOT does not require that appraisers specifically adhere to the standards presented in the Yellow Book; however, the Yellow Book does represent a widely recognized and respected source of information for the preparation of eminent domain appraisals. So, in those instances where clear guidance is not available from USPAP on an eminent domain appraisal issue, Chapter 2 will often cite the Yellow Book as a reference.

USPAP – Uniform Standards of Professional Appraisal Practice – Appraisal standards developed by the Appraisal Standards Board of the Appraisal Foundation, an organization that sets the congressionally-authorized standards and qualifications for real estate appraisers, and provides voluntary guidance on recognized valuation methods and techniques for all valuation professionals. These standards are recognized under 49 CFR Part 24.103(a) provided in REPM/Subsection 2.0.1.3. USPAP provides standards for the general practice of appraisal; however, it does not provide any significant guidance for the preparation of eminent domain appraisals. So, while USPAP must be adhered to in the development and reporting of an eminent domain appraisal, guidance as to the methodologies and specific requirements for an eminent domain appraisal must be sought elsewhere.



2.1 - APPRAISAL ADMINISTRATIVE ITEMS

2.1.1 - Pre-Contracting Activities

Regional real estate (RE) personnel working on a project need to familiarize themselves with project details: plats, plans, etc. The Plans Specifications and Estimate (PS&E) date, whether it is an advanceable project, etc., is especially important. It determines when appraisals need to be started and completed. The region should also review the title information available on each of the parcels on the project to determine if ownership issues, mortgage liens, easement restrictions, etc. will affect whether parcels should be appraised or not. A review of the title information prior to making appraisal assignments will help to avoid assignment changes and amendments.

Prior to contracting with or selecting an appraiser, as part of the eminent domain appraisal process (see REPM/Section 2.1.2), the region must consider and discuss the following questions:

- Can appraisal waivers be used?
- How many parcels will require appraisals?
- Are there sufficient qualified staff appraisers available to complete the project or will it be necessary to contract out any of the required appraisals?
- Can one appraiser handle the entire project?
- Which appraisals should be completed first?
- Will the income capitalization approach be required for any of the parcels?
- Which appraisal formats will be used?
- Will the sales study or the extended sales study be utilized, or will the sales study requirement be waived? Both the sales study and the expanded sales study may be waived; however, in the case of projects containing waiver valuations (see REPM/Section 2.5) the regions will retain the responsibility for documenting within the file containing the Nominal Payment Parcel-Waiver of Appraisal Recommendation and Approval (RE1897), the appropriate justification for the unit value chosen to establish just compensation. This documentation would consist of raw comparable land sales data or listing data.
- Will any special reports be required (i.e., Furniture, Fixture and Equipment Appraisal (FF&E) or inventory, perc tests, well or septic system replacement, driveway replacement, access study, etc.)?
- Will the proposed acquisitions result in the need to acquire or relocate an on-premise sign, will variances be required to move an impacted sign and will sign cost estimates be needed?
- Will two appraisals be required on any parcel?
- Are there any potential legal issues or legal opinions required?
- Are there any railroad-owned, Native American-owned, utility owned, federal government owned, or Section 4f/Section 6f properties?
- Are there any potential uneconomic remnants?
- Review appraiser assignment, BTS-RE or region?
- When do the appraisals need to be completed?
- What is the letting date?

- Does the project require that real estate be acquired early to accommodate the completion of utility work prior to the letting date? How early (how many months) does the real estate have to be acquired?
- When will plans and cross-sections be available?
- When will the project be staked?

2.1.2 - The Eminent Domain Appraisal Process

Appraisal Scope of Work:

The Uniform Standards of Professional Appraisal Practice (USPAP) states that in developing a real property appraisal, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal.

The appraisal scope of work recognized by USPAP covers Standard 1, which addresses the development of an appraisal and Standard 2, which addresses the reporting of the appraisal findings. WisDOT has made the policy decision to expand the appraisal scope of work concept (identified above), which typically only addresses the appraisal activities (development and reporting) of an appraiser, to also cover the activities of the department in its preparation to secure the services of an appraiser. This expanded scope of work, which is referred to as the Eminent Domain Appraisal Process (appraisal process), has been established because appraisal reports commissioned by the department are relied upon to determine just compensation for an acquisition of real estate, under the threat of eminent domain. As such the department has a responsibility to ensure that the findings of the appraisal report are credible, and the findings can only be credible if the appraisal scope of work employed by the appraiser is valid. For this reason, WisDOT (the department) will participate in the process of defining a valid appraisal scope of work, as directed by 49 CFR Part 24.103(a)(1) (see REPM/Subsection 2.0.1.3). In addition to facilitating WisDOT's role in defining a valid appraisal scope of work, a well-defined scope of work for the appraisal process is a good business practice. A thoroughly reviewed project, and a detailed appraisal scope of work, developed cooperatively by the appraiser and the department, will result in less conflict between appraisers and reviewers, more accurate contracting, faster appraisal approvals and fewer contract amendments. The appraisal process will support: budgeting; estimating timelines; tracking of project changes; establishing accountability; the mapping of performance measures and the distribution of workload. The following appraisal process discussion will define the phases of the process, describe the project scoping checklist and the appraisal scope of work agreement forms, and will explain how the appraisal process and the forms interact.

WisDOT views the appraisal process as having five distinct phases. The first two phases address the department's project responsibilities prior to securing an appraiser. The third phase is a transitional phase that involves both the department and the assigned appraiser. The fourth and fifth phases are primarily the responsibility of the assigned appraiser, with the input and approval of the review appraiser. The appraiser's process (research and analysis) is commonly referred to as the appraisal scope of work (as defined above) and will be discussed in REPM/Section 2.3.5(8)(H). The department's responsibilities under the appraisal process are the subject of the following section.

WisDOT's appraisal process consists of five identifiable phases, with each phase corresponding to a specific set of tasks. The five phases are:

Project Development Phase: This portion of the appraisal process falls within what has historically been the responsibility of the engineering/design functions of WisDOT. The

project development phase is intended to encourage the utilization of the department's real estate professionals in the project development process. This phase of the appraisal process is defined as beginning as early in the project development process as possible and ending with the selection of the preferred project alternative. This phase of the appraisal process addresses the activities of the department.

Pre-Appraisal Phase: Once the preferred project alternative is selected, the cost estimates associated with the real estate acquisitions can begin identifying impacts to specific parcels or tracts of land. The pre-appraisal phase of the appraisal process begins at this point. WisDOT's real estate professionals will complete the project scoping spreadsheet, which will document estimated project costs associated with real estate acquisitions, and identify potential appraisal issues. The involvement of the department's real estate professionals in the completion of the project scoping spreadsheet is required. This phase ends with the completion of the project scoping spreadsheet, the occurrence of the real estate startup meeting and the beginning of the appraiser assignment process, which includes the preliminary development of the appraisal scope of work agreement. This phase of the eminent domain appraisal process addresses the responsibilities of the department

Scope of Work Agreement Phase: After the completion of the project scoping spreadsheet, the department will begin the process of developing an appraisal scope of work agreement. The appraiser(s) assigned to a specific project will be required to participate in the process of refining and finalizing the appraisal scope of work agreement, which upon completion, will be signed by the department and the appraiser(s). This phase of the eminent domain appraisal process addresses the transition of the appraisal process from the department to the assigned appraiser.

Development Phase: This phase of the appraisal process involves the research and analysis activities of the appraiser assigned to a specific parcel on a project and corresponds to USPAP Standard 1 (Real Property Appraisal, Development). The Appraisal scope of work agreement, developed cooperatively by the department and the assigned appraiser, addresses the anticipated depth of analysis required for this phase of the appraisal process. This phase of the appraisal process addresses the responsibilities of the assigned appraiser(s), with possible consultation with the department's review appraiser, and will be discussed in-depth in REPM/Sections 2.3 and 2.4.

Reporting Phase: This phase of the appraisal process involves the reporting of the research, analysis and value determinations of the appraiser assigned to a specific parcel on a project and corresponds to USPAP Standard 2 (Real Property Appraisal, Reporting). The appraiser responsibilities developed by the department together with the assigned appraiser and contained in the appraisal scope of work agreement, addresses, in part, the minimum reporting standards required for this phase of the appraisal process. This phase of the eminent domain appraisal process is the responsibility of the assigned appraiser(s) and the department's appraisal review staff and will be discussed in depth in REPM/Sections 2.3 and 2.6.

Note: The process discussed above applies to projects involving both in-house and consultant appraisers.

2.1.2.1 - Project Development Phase

The project development phase of the appraisal process, which addresses the activities of the department, is defined as beginning as early in the project development process as possible and ending with the selection of a preferred project alternative. The increasing costs to acquire real estate and relocate displaced property owners is becoming a greater percentage of project costs. In addition, reductions in delivery timelines are placing increased pressure on the department to deliver projects on time. In the early stages of project development, real estate professionals can assist project designers to identify and potentially reduce real estate costs due to their understanding of eminent domain and the real estate market. In addition to cost savings, early detection of unnecessary real estate impacts will reduce delays later in the appraisal and acquisition process. For this reason, the regional offices are strongly encouraged to include regional real estate staff in the project development process as early as practicable.

The involvement of regional real estate staff for estimates that take place prior to project design beginning, will be of limited value, because the early real estate cost estimates are typically based upon project type and historical project cost data. Real estate estimates at this stage of project development are more of an engineering/planning function, rather than real estate. However, involvement of the regional real estate staff that approximately coincides with the 30 percent design completion point for the project, will begin to be of greater value. The availability of preliminary project corridor information will allow the regional real estate staff to assist the real estate cost estimating process by determining land types, providing highest and best use analysis, identifying potential sign moves for relocation, estimating land values by type and establishing preliminary improvement values (assuming total takings).

Depending on regional cost estimating practices, and the size and complexity of the proposed project, an additional real estate cost estimate may also be completed between the 30 and 60 percent design completion point. The number of real estate cost estimates performed on a specific project, the timing of when the estimates will be performed and who will perform the estimates, will be determined by the region. The use of regional real estate staff for early real estate cost estimates is preferred; however, the use of qualified real estate staff is critical in the preparation of the real estate cost estimate used in the Environmental Impact Statement (EIS). This real estate cost estimate will require the inclusion of refined determinations of land type, highest and best use and land values by type. This estimate will also address preliminary estimates of potential severance damages and an estimate of improvement values utilizing refined slope limits (no longer assuming every improved property is a total acquisition). These types of determinations must be made by individuals with the training and experience in real estate provided by qualified real estate staff.

The input of the department's real estate staff during project development may assist the project development process by identifying high cost property impacts and potential project delays, resulting from real estate impacts, that could be avoided early in the development process through design modifications. The early involvement of the department's RE staff at this phase is an organizational goal and is not currently a requirement; however, efforts should continue to expand the role of real estate professionals in the project development process.

2.1.2.2 - Pre-Appraisal Phase

After the selection of the preferred project alternative, the involvement of the department's RE staff is required as part of the project cost estimating process. The primary focus of the pre-appraisal phase of the eminent domain appraisal process is the preparation of the project scoping spreadsheet. The project scoping spreadsheet is part of the real estate estimate that is developed after the project design passes the 60 percent design completion point. This real estate estimate is part of what is referred to as the not to exceed estimate which is intended to establish the upper limit of project costs, so it is imperative that the preliminary R/W plat, plan and profile sheets and cross-sections are available to the RE staff preparing this real estate estimate.

Note: The project cost allocation-encumbrance estimate (see REPM/Section 1.1) is not considered to be part of the appraisal process.

The project scoping spreadsheet is designed to aid in the development of the not to exceed estimate; however, the use of the project scoping spreadsheet could begin as early as RE staff involvement will allow. The individual parcel estimate portion of the project scoping spreadsheet is applicable to the estimate developed at the 30 percent design completion point, and any subsequent estimates. Any cost estimate produced through the completion of the individual parcel estimate portion of the project scoping spreadsheet, no matter what stage of the project development it is completed for, is specific for the date that it was completed. The original estimate can be updated for any subsequent stage of project development, including the not to exceed estimate, by making an electronic copy of the original estimate and making the necessary changes to the copy. If multiple modifications (Example: original estimate at the 30 percent design completion point, next estimate between the 30 and 60 percent design completion points, and the not to exceed estimate) are required, the most current version of the project scoping spreadsheet would be saved and an electronic copy of that saved version would be used to make the subsequent changes. The original estimate and any subsequent versions must be saved, enumerated and dated to document the historical content and timing of the cost estimates. Utilizing the above methodology will preserve the data within the spreadsheet that does not change, while documenting the evolution of the project cost estimate. Consistent use of the project scoping spreadsheet throughout the cost estimating process should reduce the time and effort required for each cost estimate, and the information developed will further assist in the appraisal assignment process.

The project scoping spreadsheet consists of five interactive tabs that function together to support the estimation of real estate costs (delivery and non-delivery) for an entire project. The five tabs are:

- Project Wide Estimates
- Delivery Hours
- Individual Parcel Estimate
- Conclusion
- Appraisal Scoping Checklist

The first four tabs interact directly to produce an estimate of real estate costs associated with a proposed project. These costs are separated into delivery costs that cover personnel and site clearance costs, and non-delivery costs that cover acquisition, relocation and other miscellaneous costs associated with acquiring the required real

estate. The use of the first four tabs of the project scoping spreadsheet can be used to develop preliminary delivery and non-delivery cost estimates for a proposed project, and the information input into the tabs can be saved and carried forward as subsequent estimates are calculated throughout the project delivery and pre-appraisal phases of the appraisal process.

The fifth tab of the project scoping spreadsheet, the appraisal scoping checklist, is partially populated with information that is either input, or calculated, in the other four tabs. The appraisal scoping checklist tab is not focused on cost estimating. The appraisal scoping checklist tab is primarily focused on identifying appraisal complexity issues that will be utilized in the selection of qualified appraisal staff, and in the development of the appraisal scope of work agreement. While the first four tabs of the project scoping spreadsheet may be utilized for preliminary real estate cost estimating, the appraisal scoping tab is typically not completed until the preliminary platting and proposed acquisitions have been completed. The project scoping spreadsheet is not considered completed until the appraisal scoping checklist is completed.

Instructions on the completion of the project scoping spreadsheet:

1. The project wide estimate tab of the project scoping spreadsheet contains information relating to delivery costs associated with RE staff (or consultant) activities for the various parcel types. This information comes from the WisDOT staffing matrix and cannot be changed by the person completing the tab. The tab also includes non-delivery information, which must be entered by qualified regional RE staff. This non-delivery information consists of estimated land value information that will automatically populate the land value (Fee Value \$) column of the individual parcel estimate tab of the project scoping spreadsheet.

The land value information is based upon market research of the area around the proposed project. The market research will be conducted by the person(s) completing the project scoping spreadsheet, with the possible assistance of other regional staff. The project identification information at the top of the project wide estimates tab must also be completed. The delivery cost information from the staffing matrix along with equations built into the project wide estimates tab are essential to the operation of the project scoping spreadsheet and should not be altered or eliminated.

2. The delivery hours tab of the project scoping spreadsheet contains information from the staffing matrix provided in the project wide estimates tab, together with parcel type information input into the individual parcel estimate tab to calculate the delivery hours and costs associated with the various real estate activities on the proposed project. Information contained in this tab is either auto-filled from other tabs or consists of fixed data that cannot be changed.
3. The individual parcel estimate tab of the project scoping spreadsheet, which must be completed for all projects, addresses the potential impacts of the proposed acquisitions and subsequent construction project on each of the individual affected parcels. The individual parcels are identified by their Tax Identification (ID) Number and the parcel number assigned to the property for the proposed project. Tax ID Numbers can be input during preliminary estimates (or at any point in the estimating process) and would be perpetuated in subsequent estimates because they typically do not change. Parcel numbering derived from

the Transportation Project Plat (TPP), on the other hand, does have a potential for change. Owners and parcel types (see REPM/Subsection 2.1.4) are entered by qualified regional RE staff, as well as whether the parcel will involve a relocation. Information is also entered in this tab regarding title work costs, and whether department staff or consultants will be used for the various real estate activities associated with the identified parcels. The identified staff/consultant activities and property types will populate the project wide estimate tab, which will calculate delivery hours that will, in turn populate the delivery hours tab, which will then calculate delivery costs reported in the conclusion tab.

The RE staff filling out this tab will also be tasked with entering estimates for the required acquisitions, potential severance damages and relocation costs. These estimated costs will populate the non-delivery costs in the conclusion tab. Finally, parcel information from the individual parcel estimate will populate several fields in the appraisal scoping checklist. The individual parcel estimate must be completed before an appraiser is assigned to any of the affected parcels.

4. The conclusion tab of the project scoping spreadsheet is a view only reporting tab, that provides a summary of the delivery and non-delivery costs associated with the proposed project, that is generated by the completion of the other tabs of the project scoping spreadsheet. No attempts should be made to alter or eliminate this tab.
5. The appraisal scoping checklist tab of the project scoping spreadsheet, which must be completed for all projects requiring appraisals, provides appraisal complexity information on the parcels affected by the proposed project. Issues associated with appraisal complexity include, but are not limited to: zoning, waterfront, possible curable or incurable severance damages, etc. The identification of these issues requires that the individual completing the appraisal scoping checklist be a qualified real estate professional. The information contained in the appraisal scoping checklist will be utilized in the selection of qualified appraisal staff, and in the development of the appraisal scope of work agreement.

The individual parcel estimate tab partially auto fills to the appraisal scoping checklist tab. The person completing the appraisal scoping checklist must verify the auto-filled information. If the auto-filled information is different, the responsible RE staff will make the appropriate changes. Changes can only be made to the scoping checklist and not to the individual parcel estimate. The appraisal scoping checklist is a required document in the appraisal bidding process and must be completed before an appraiser (staff or fee) is assigned to any of the affected parcels.

As stated above, the individual parcel estimate and the appraisal scoping checklist must be completed by qualified RE staff. The individual parcel estimate requires up to 26 separate pieces of data, observations and estimates for each parcel. The appraisal scoping checklist requires up to 18 separate observations for each parcel. Because of the potential complexity associated with completing the individual parcel estimate and appraisal scoping checklist, a training video explaining the forms and how to complete them has been developed and is available through the WisDOT Learn Center. The title of the training video is "How to Complete the Appraisal Scoping Checklist." RE staff preparing the

individual parcel estimate and the appraisal scoping checklist, must complete the above training video. Any questions that arise during the preparation of the individual parcel estimate and appraisal scoping checklist should be directed to experienced regional or statewide appraisal/review staff.

The completion of the appraisal scoping checklist will provide regional RE staff and management with the information needed to determine whether the region will employ waiver valuations or appraisals to value each of the parcels on the project. The appraisal scoping checklist will also aid in the preliminary determination of the appraisal reporting formats for each of the parcels on the project. Prior to securing the services of an appraiser the region should also review the title information available on each of the parcels on the project to determine if ownership issues, mortgage liens, easement restrictions, etc. will affect the preliminary determination of whether a parcel should be appraised or not. A review of the title information prior to making appraisal assignments will help to avoid assignment changes and amendments.

Upon completion of the individual parcel estimate, the appraisal scoping checklist, and the title review, the regional offices will secure the services of an appraiser and a review appraiser. When making a request for and, or assignment of, a review appraiser:

- The appraisal scoping checklist must be sent with the reviewer request.
- The appraisal scoping checklist and project plat must be sent to the assigned regional and statewide reviewers.
- The cost estimate includes valuation information and should not be provided to the review appraiser to avoid the potential for guiding appraisal findings.

When making a request for the assignment of an appraiser:

- The appraisal scoping checklist must be completed before the appraiser is selected, assigned or contracted.
- The appraisal scoping checklist and project plat must be sent with the request of bid interest email to consultants and to assigned staff appraisers.
- The cost estimate includes valuation information and should not be provided to the appraiser to avoid the potential for guiding appraisal findings.
- The appraisal scoping checklist must be sent to assigned in-house appraisers.

The pre-appraisal phase of the appraisal process ends with the completion of the project scoping spreadsheet, the occurrence of the RE startup meeting and the beginning of the preliminary development of the appraisal scope of work agreement.

2.1.2.3 - Scope of Work Agreement Phase

The appraisal scope of work agreement phase of the appraisal process addresses the transition of the appraisal process from the department to the assigned appraiser. After the completion of the project scoping spreadsheet, the regional RE project manager

together with the assigned review appraiser(s) (the department) will develop a preliminary scope of work agreement.

The Appraisal Scope of Work Agreement:

Is a written statement agreed upon by the appraiser and the department (represented by the regional RE project manager and the review appraisers) describing the appraisal work to be done. It defines the responsibilities of both the appraiser and the department and establishes a minimum appraisal scope of work for the specific appraisal assignment. The appraisal scope of work, together with the parcel variations portions of the appraisal scope of work agreement must address the unique, unusual and variable appraisal complexity issues identified for the parcels covered by the agreement. The scope of work agreement, which is consistent with USPAP, reflects the requirements of the department as defined in REPM/Chapter 2, state statutes and federal regulations.

Is a template that consists of four distinct sections:

1. The Appraisal Scope of Work defines the assignment conditions and the expected research and analysis requirements necessary to address the appraisal problems identified in the appraisal scoping checklist. The elements of the appraisal scope of work will not change significantly from project to project. For this reason, the primary elements of the appraisal scope of work have been templated and will likely require only minimal modification. The primary source of modification to the appraisal scope of work will be the assignment conditions. The assignment conditions found in this section of the appraisal scope of work agreement include; hypothetical conditions; extraordinary assumptions and jurisdictional exceptions. If any of these three assignment conditions are anticipated for any of the parcels covered by the appraisal scope of work agreement, they must be identified, defined and justified in the appraisal scope of work section. The parties developing the appraisal scope of work agreement 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. (per USPAP)
2. The Appraiser's Responsibilities defines the department's expectations regarding the appraiser's actions and the reporting standards that will be followed by the appraiser. The elements of the appraiser's responsibilities will not change significantly from project to project. For this reason, the elements of the appraiser's responsibilities have been templated and will likely require only minimal modification.
3. The Department's Responsibilities defines the department's role and responsibilities in the appraisal process. The elements of the department's responsibilities will not change significantly from project to project. For this reason, the elements of the department's responsibilities have been templated and will likely require only minimal modification.
4. The Parcel Variations will identify appraisal complexities that will be unique to individual parcels covered by the agreement. This section of the appraisal scope of work agreement will address which of the three assignment conditions identified in the appraisal scope of work will apply to the individual parcels on the project. The parcel variations will also address a fourth

assignment condition of special appraisal instructions which will be established for each parcel based upon the information contained in the appraisal scoping checklist.

After the completion of the preliminary appraisal scope of work agreement the department will conduct a RE startup meeting and appraisal scoping meeting. The nature and intent of the RE startup meeting is discussed in REPM/Subsection 2.1.9. The appraisal scoping meeting will be utilized to complete the final appraisal scope of work agreement.

- The appraisal scoping meeting should be attended by the assigned appraisers, the assigned review appraisers, the RE project manager, and/or the RE lead worker.
- The appraisal scoping meeting may be conducted at the end of the RE startup meeting or a later date; however, it must be conducted before any appraisal work commences.
- The appraisal scoping checklist should be utilized to facilitate the discussion about each parcel being appraised. The discussion should include appraisal complexity issues or unique appraisal concerns. The attendees should work together to develop the final scope of work agreement.

After the appraisal scoping meeting the assigned review appraiser will draft the final appraisal scope of work agreement for the project. The review appraiser will then sign and date it and send it to appraisers.

The assigned appraiser will review the final appraisal scope of work agreement for the project. The appraiser then signs and dates it, uploads it to READS project log and sends it to the review appraiser, the RE project manager and/or the RE lead worker.

The final appraisal scope of work agreement, that comes out of the decisions of the appraisal scoping meeting could result in amendments to the contract. If the individual who administers the appraisal contract for the proposed project is not in attendance at the appraisal scoping meeting, a final copy of the Appraisal scope of work agreement should be provided to them so that he or she can address any potential contract amendments resulting from the final agreement.

The assigned appraisal work can now commence.

The development phase of the appraisal process will be discussed in-depth in REPM/Sections 2.3 and 2.4.

The reporting phase of the appraisal process will be discussed in-depth in REPM/Sections 2.3 and 2.6.

2.1.3 - Parcel Types and Corresponding Valuation Methods and Appraisal Formats

Prior to assigning a regional appraiser, requesting a statewide appraiser, or contracting with a fee appraiser, the region will need to make a preliminary estimation of the parcel types that exist on the proposed project. Identification of the parcel types on the project will allow the region to make a preliminary estimation of the likely valuation method (waiver valuation or appraisal) to be used for each parcel. If the parcel type identified requires that the valuation method

employed be an appraisal, the region can make a preliminary estimation of the appraisal report format to be used. The preliminary determination of the parcel type, valuation method and appraisal format, combined with the real estate staffing matrix, will also allow the region to estimate the delivery costs for the real estate portion of the proposed project. The hours per parcel for every real estate activity is taken directly from the real estate staffing matrix based upon the parcel type. The parcel type utilized to determine the activity hours is entered on the individual parcel estimate tab of the project scoping spreadsheet.

The parcel type is based upon the nature of the proposed acquisition, together with the use and level of development of the parent tract (larger parcel) from which the proposed acquisition will be taken. When estimating the preliminary property type, together with the corresponding valuation method and appraisal format, the following definitions and guidance should be used together with the real estate staffing matrix:

- **Nominal Parcel** - Nominal parcels involve partial acquisitions from non-complex parent tracts that have a readily identifiable highest and best use, and no issues associated with the determination of the larger parcel. The value of the land contained within the larger parcel can be readily determined from comparable sales available in the area of the proposed project. Total damages resulting from the proposed taking and subsequent construction project have an estimated value of \$25,000 or less (this damages threshold is tied to the potential use of the waiver valuation). The proposed acquisition involves land and minor acquisitions of site improvements. The total damages may include minor cost to cure severance damages to site improvements that are readily identifiable and easily calculated.

Valuation Method: The proposed acquisition can be valued utilizing a waiver valuation if the property owner waives his/her right to receive an appraisal. If the property owner does not waive his/her right to receive an appraisal, then the proposed acquisition should be valued utilizing an appraisal.

Reporting Format: If the property owner waives their right to receive an appraisal, the value may be reported in a Nominal Payment Parcel Report form (NPPR) (RE1889). If the property owner does not waive his/her right to receive an appraisal, then the Appraisal Report - Short Format is the most appropriate reporting format.

- **Intermediate Parcel** – Intermediate parcels involve acquisitions from (of) parent tracts that have a readily identifiable highest and best use, and no issues associated with the determination of the larger parcel. The value of the land contained within the larger parcel can be readily determined from comparable sales available in the area of the proposed project. The proposed acquisition includes land, site improvements such as landscaping, driveways, wells and septic systems. The total damages may include minor severance damage, in the form of costs to cure if they can be documented without the need for a full before and after analysis. The intermediate parcel may also involve total takings of vacant property that will not result in the need for relocation.

Valuation Method: The proposed acquisition should be valued utilizing an appraisal.

Reporting Format: The Appraisal Report – Short Format is the most appropriate reporting format. The short format appraisal may also be used for a total taking of an intermediate vacant parcel.

- **Intermediate Improved Parcel** – Intermediate improved parcels are similar in nature to intermediate parcels with regards to the characteristics of the parent tract and issues

associated with the proposed acquisition impacts. The primary difference involves the presence of minor buildings, such as garages, sheds, or non-agricultural outbuildings within the area of the acquisition. The existence of the buildings results in the potential for a before-condition value of the larger parcel based on either market data or assessed values (of the buildings), or a combination of the two methods. The acquisition of minor buildings such as garages or sheds may result in the need for a relocation payment for moving expenses but will not result in the creation of a displaced person. The acquisition of minor buildings will also result in the need for site clearance.

Valuation Method: The proposed acquisition should be valued utilizing an appraisal.

Reporting Format: The Appraisal Report – Standard Abbreviated is the most appropriate reporting format. The appraisal report must include sufficient detail to adequately address the improvements affected and to justify that there is no severance damage to the remaining improvements.

- Major Parcel – Major parcels involve acquisitions from parent tracts that may be transitional property with a highest and best use that is not consistent with the current use. In addition, the larger parcel determination may require the analysis of multiple configurations. Major parcels may also include minor site contamination. The existence of contamination and, or the transitional nature of the identified larger parcel, may result in comparable data (sales or income) not being readily available. This will require a more expansive search area to identify comparables, and the likely need for more extensive adjustments to the comparables that are located. The proposed acquisition may cause changes in the highest and best use of the remaining property. The acquisitions and subsequent construction project may also cause incurable severance damages resulting from changes of grade, restriction of access, changes in proximity, and reduction in site size, or changes in site shape, etc. Major parcels may also include the total taking of a vacant parcel that exhibits the physical characteristics described above but does not include any primary building improvements requiring site clearance or the relocation of a displaced person.

Valuation Method: The proposed acquisition should be valued utilizing an appraisal.

Reporting Format: Because of the likely existence of incurable severance damages, the Appraisal Report – Detailed Before and After is the most appropriate reporting format. If the major parcel involves a total taking, the Standard Abbreviated reporting format should be used.

- **Major Improved Parcel** - Major improved parcels are similar in nature to major parcels with regards to the characteristics of the parent tract and issues associated with the proposed acquisition impacts. The primary difference between major improved parcels, and major parcels is the acquisition of occupied buildings and the resulting requirement for the relocation of displaced persons. Examples of impacted improvements include residences and small commercial buildings. The acquisitions associated with major improved parcels will result in the creation of a displaced person and the need for a relocation that is routine in nature.

Valuation Method: The proposed acquisition should be valued utilizing an appraisal.

Reporting Format: Because of the likelihood that the acquisition will either be a total taking, or result in a vacant remainder, the Appraisal Report – Standard Abbreviated is the most appropriate reporting format.

- **Complex Parcel** – Complex parcels involve complicated acquisitions from farm, business, manufacturing, or unique special purpose properties. Complex parcels also include either partial or total acquisitions from quarries, gravel pits, or property with significant contamination issues. Partial acquisitions from complex parcels will severely affect the site and/or improvements, requiring a detailed before and after analysis. Examples include loss of substantial parking from a shopping center/commercial property; loss of adequate access to a retail property; loss of pumps and a pump island from a convenience store; or acquisitions from special purpose properties such as a school, government property or a golf course. These acquisitions all have the potential to result in curable and incurable severance damages that require an extensive before and after analysis. Any potential for a finding of special benefits will result in a parcel being designated as a complex parcel.

Valuation Method: The proposed acquisition should be valued utilizing an appraisal

Reporting Format: In the case of a partial taking the Appraisal Report Detailed Before and After is the appropriate reporting format. In the case of a total taking the Appraisal Report – Standard Abbreviated is the appropriate reporting format.

- **Complex Improved Parcels** – Complex improved parcels are similar in nature to complex parcels with regards to the characteristics of the parent tract and issues associated with the proposed acquisition impacts. The primary difference between the complex improved parcels and the complex parcels is the acquisition of occupied buildings and the resulting requirement for a complex relocation associated with the creation of displaced persons. Leasehold interests and tenant owned improvements can be complex and may require high levels of coordination between appraisal staff, relocation staff and the preparation of fixture appraisals. Examples of impacted buildings include a farm, church, school, motel, supper club, major retail operations, manufacturing plant, etc. The acquisitions of these major improvements will result in difficult site clearances. Because of the acquisition of complex building improvements, the appraiser will not be permitted to utilize assessed values in his or her appraisal report. The improvements must be appraised to assess damages.

Valuation Method: The proposed acquisition should be valued utilizing an appraisal.

Reporting Format: In the case of a partial taking the Appraisal Report Detailed Before and After is the appropriate reporting format. In the case of a total taking the Appraisal Report – Standard Abbreviated is the appropriate reporting format.

- Signs – The sign parcel designation is only intended for use with off-premise signs. These signs are identified as either outdoor advertising industry owned signs or privately-owned signs. For guidance in how to determine the legal status of the off-premise sign, the options for valuing the sign and when relocation of the off-premise sign is an option, consult REPM/Chapter 10.

Valuation Method: If it becomes necessary to value an off-premise sign, the valuation must be based upon an appraisal.

Reporting Format: The Appraisal Report - Standard Abbreviated is the most appropriate reporting format. The appraisal report must contain a complete description of the sign and the valuation method(s) used.

2.1.4 - Requesting a Staff Appraiser

After the region determines that a project will require the preparation of real estate appraisals, and before starting the process of contracting with a fee appraiser, the region within which the proposed project is located must determine if they have adequate qualified regional appraisal staff available to handle the needed appraisal workload on the project.

If the region determines that they have inadequate qualified appraisal staff to handle the needed appraisal workload on the project, the region must contact the BTS/RE appraisal manager to request the assignment of statewide appraisal staff. This request must be made before the region may start the process of contracting with a fee appraiser. The request should be processed as an email to the appraisal manager, generated in the project log of the proposed project. The request must include a completed Appraisal/Appraisal Review Request form (RE1010), together with the completed appraisal scoping checklist and project plat. The appraisal manager will determine whether it is appropriate for a statewide appraiser to complete the requested appraisals, based upon information in the appraisal scoping checklist. If it is determined that it is appropriate for the requested appraisals to be undertaken by a statewide appraiser, the appraisal manager will check if a qualified appraiser is available and will notify the region of the availability of statewide appraisal staff. If it is inappropriate for the statewide appraisers to complete the requested appraisals, or if a qualified statewide appraiser is not available, the appraisal manager will inform the region that statewide appraisal staff will be unable to assist in the meeting the proposed project's appraisal needs.

After (if) the region is informed that BTS-RE will be unable to provide appraisal assistance to the region, and before the region starts the process of contracting with a fee appraiser, the region should contact other regional RE units to determine if appraisal assistance is available from another regional office. The use of appraisal staff assigned to other regional offices serves to maximize existing staff while avoiding the cost of securing a fee appraiser. The region requiring the appraisal assistance may bypass requests for assistance from other regional offices if the appraisal requirements of a proposed project (number of appraisals required, tight project timelines, appraisal complexity issues, etc.) dictate the use of a fee appraiser. If it is determined that the use of staff appraisers (regional or statewide) is inconsistent with the appraisal needs of a proposed project, the region should begin the process of contracting for a fee appraiser.

2.1.5 - Selecting and Contracting with a Fee Appraiser

See REPM/Section 1.7 for a detailed description of contracting procedures, and the appraisal work order development process. There are a few key points to be aware of when developing a work order for appraisal work:

- Regions may only contract with fee appraisers on the approved appraiser list. The firm for which the approved appraiser works will have a low bid master contract. A work order for the specific appraisal project will be written under the low bid master contract for the chosen firm. A list of firms currently under master contract for appraisal work can be obtained by accessing the All-Inclusive List of Real Estate Master Contracts spreadsheet that is maintained by BTS-RE.
- The region will contact at least three appraisal firms from the all-inclusive master contract list that they determine have appraisers who are best qualified to perform the work. The first contact will be to determine if the firm is interested and available to complete the project.
- The appraisal scoping checklist is a key component of the appraisal work order process. The appraisal scoping checklist will provide the information needed to estimate appraisal complexity, and expertise requirements for the parcels covered by the proposed work order. The appraisal scoping checklist will also provide guidance on the appropriate appraisal reporting formats for each parcel. The appraisal scoping checklist must be completed before beginning the work order process.
- Do not include the individual parcel estimate tab of the project scoping spreadsheet when sending the project information to a consultant. The individual parcel estimate includes valuation information and should not be provided to the fee appraiser to avoid the appearance of the department guiding appraisal findings.
- Unlike work orders under other types of master contracts, such as eminent domain/full service, the appraisal firms will submit bids and will be selected based on the lowest bid.
- Fee appraisers must complete parts of the work order process in Masterworks. The region must inform the selected appraiser that he/she must sign up for a Masterworks ID in order to complete his/her portion of the work order process.

See REPM/Section 1.7 or the Facilities Development Manual (FDM) Chapter 8 for a description of the entire appraisal work order development process.

2.1.6 - Requesting a Statewide Review Appraiser

As discussed in REPM/Subsection 2.6.3.1 the responsibility for appraisal review and offering price approval has been divided between the regions and BTS-RE, or statewide review appraisers. The review and approval of non-complex appraisals of \$10,000 or less has been delegated to regional review appraisers. Regional review appraisers also have the delegated authority to review waiver valuations up to \$25,000. BTS-RE review appraisers have been delegated the authority to review and approve all complex appraisals (REPM/Subsection 2.6.3.1 discusses determining the complexity of an appraisal) and non-complex appraisals where the value is greater than \$10,000.

As soon as a region determines that a project will include complex appraisals, or appraisals with damages that exceed \$10,000 the region must request the assignment of a statewide review appraiser from the BTS-RE appraisal manager. The request should be processed as an email to the BTS/RE appraisal manager, generated in the project log of the proposed project. The

request must include a completed Appraisal/Appraisal Review Request form (RE1010) and project plat, together with the completed Appraisal scoping checklist. The appraisal manager will assign an available qualified review appraiser and notify the region of the assignment.

2.1.7 - Real Estate Startup Meeting and Appraisal Scoping Meeting

Prior to the start of appraisal work on a proposed project, the regional office will schedule and hold a RE startup meeting and appraisal scoping meeting.

The startup meeting will bring together project design staff and real estate staff to discuss the effects of the proposed construction project and required acquisitions, on the project parcels. This meeting will be the first to include all key participants on a proposed project and is intended to ensure a minimum level of familiarity between project design, real estate and appraisal staff on the proposed project. The startup meeting will also act to facilitate cooperation, between regional staff, consultant appraisers and BTS-RE (statewide appraisers and review appraisers), in jointly developing a plan for the appraisal and review of the parcels on a project. A startup meeting shall be held on all projects. The recommended participants in the startup meeting include:

- Regional RE project manager or lead agent (this person is responsible for scheduling the meeting)
- Project engineer
- Access management representative (if access will be an issue on the project)
- Acquisition agent
- Appraiser(s), either staff appraisers, consultant appraisers, or both
- Review appraiser(s)
- Relocation advisor (if there are any potential relocation issues, including sign moves)
- Local Public Agency (LPA) representatives (if meeting is for an LPA project)

The startup meeting will, at a minimum, address the following issues:

- A review of the available plan and profile sheets.
- A review of the Transportation Project Plat (TPP)
- Appraisal assignment:
 - Which appraisals will require the assignment of a BTS-RE statewide review appraiser and which appraisals can be reviewed by the region. BTS-RE and regional review on the same project must be coordinated to maintain efficiency and consistency.
 - If relocation is involved – establish need for on-site meeting between relocation specialist and appraiser to discuss personal property/fixture issues.
 - Which appraisals should be completed first?
 - Will any special reports be required (i.e., fixtures, timber cruise, perc tests, septic system replacement, cost estimate, etc.)?
- Are there any potential legal problems or legal opinions required?
- Are there any railroad parcels?
- Are there any potential uneconomic remnants?
- Are there sensitive parcels?
- Date of relocation order?
- What are appraisal completion dates?
- What is letting date?

- What is the Temporary Limited Easement (TLE) timeframe?
- What is sales study completion date?
- When will the project be staked?

If the region believes that a startup meeting is not needed, they must make the recommendation to the BTS-RE statewide review appraiser. The BTS-RE review appraiser must concur with this recommendation.

Prior to the Real Estate Startup Meeting the region is advised to request that the project engineer develop a brief description of the proposed project. The description should be consistent with the requirements outlined in Subsection 2.3.5, Item 9 (Project Information) of the REPM, and should be no more than two paragraphs long. The regional real estate unit is encouraged to develop an acceptable example of a project description to provide to the project engineer. The project engineer should also provide a timeline for the proposed construction project. The project description and construction project timeline should be provided to the appraiser at the real estate startup meeting.

The appraisal scoping meeting may be conducted at the end of the startup meeting or later but must be held before appraisal work commences. The appraisal scoping meeting is part of the eminent domain appraisal process and is intended to address specific anticipated appraisal complexity issues associated with individual parcels on a proposed project. Typically, the appraisal scoping meeting will take place immediately after the startup meeting and will be attended by the RE project manager (lead agent), the assigned appraiser(s) and the assigned review appraiser(s). The participants will review the appraisal scoping checklist, along with the available plan and profile sheets, the TPP and the preliminary appraisal scope of work agreement. The information provided by the above documents will be used by the attendees of the appraisal scoping meeting to complete the assignment conditions section (Item 8 of the appraisal scope of work) and the parcel variations section of the appraisal scope of work agreement. The appraisal scoping meeting will result in decisions being made regarding whether assigned appraisals will likely be complex or non-complex, and the anticipated report format that will be employed by the appraiser. The decisions of this appraisal scoping meeting could result in amendments to the contract. If the individual who administers the appraisal contract for the proposed project is not in attendance at the appraisal scoping meeting, a final copy of the appraisal scope of work agreement should be provided to them so that he or she can address any potential contract amendments resulting from the final agreement.

Upon completion of the appraisal scoping meeting, the statewide review appraiser (or regional review appraiser if there are no complex appraisals or appraisal amounts over \$10,000 on the proposed project) will make any necessary changes to the appraisal scope of work agreement and process for signatures.

2.1.8 - Establishing an Expiration Date for Temporary Limited Easements (TLE)

The date of the completion of construction will be provided by the regional project engineer. Responsibility for the establishment of the expiration date of the TLE, however, rests with the regional RE office. For this reason, the expiration date does not have to be directly connected to the anticipated completion of construction. If a project has the potential of being advanced, the regional RE office has the option to choose to utilize the program year for the expiration date of the TLE or the potential advanced date. If there is concern about the project being completed on time or the letting date being delayed, the regional RE office has the option to choose to add

time to the duration of the TLE. In addition, the month of the expiration date for the TLE does not need to be tied to the anticipated construction completion date. It can be based, for example, upon the typical end of the construction season (November 30), or the last day of the calendar year (December 31). The date does not need to be tied to an anticipated event if the regional RE office so chooses.

It is recognized that the addition of time, that ultimately may not be needed, will increase the cost of the TLE; however, it will allow the region to avoid the possibility of having to obtain TLE extensions at a later date. The region must weigh the potential costs of increasing the duration of the TLE against the risk of possibly having to pay for extensions, which must be obtained under tight time constraints, that could have the potential of delaying a project. An additional element of consideration when determining the expiration date of the TLE is that the increased costs of extending the timeframe of a TLE will be mitigated somewhat by the discounting process discussed in the REPM/Subsection 2.4.6.4. The expiration date of the TLE should be communicated to the appraiser, the review appraiser and the RE project manager in writing, and documented with a project log entry in READS.

2.1.9 - Project-Wide Minimum Payment

The establishment of a project-wide minimum payment, is a policy decision, determined by the regions, regarding the minimum amount of just compensation that is appropriate for a given project. There is no statewide department policy that establishes an appropriate amount of minimum compensation. The amount of minimum compensation will likely vary from region to region. Within a given region, minimum payments may be consistent for all projects, or they may differ from project to project, depending on the market conditions within the project area. This section will not address the establishment of the amount of a project-wide minimum payment but will rather address the process for documenting the amount of the minimum payment and the reasoning behind the amount utilized.

The following procedure is recommended for the documentation of the establishment of a project-wide minimum payment:

- The amount of the minimum payment must be established before any valuations (waiver valuations or appraisals) take place.
- The amount of the minimum payment should be documented in the project log as a comment. The comment subtype should be Cost Allocation and the subject of the comment should be Minimum Payment. Consistent use of the comment, and a specific subtype and subject will make filtering the project log entries to locate the minimum payment entry easier.
- The comment must contain the amount of the minimum payment together with enough of a description of the reasoning behind the amount of the minimum payment to justify potential differences between projects. Examples:
 - Project is in a rural area of predominantly agricultural uses;
 - Project is in an urban area consisting of smaller high value commercial properties, etc.

When the regional office establishes a minimum payment the amount of the minimum payment must be communicated to the review appraiser(s) assigned to the project. If an effected parcel will be appraised the effects of the minimum payment will not be addressed in the assigned appraisal. The effects of the minimum payment on a specific parcel is a just compensation issue that will be addressed by the review appraiser as part of the just compensation approval process (see REPM/Subsection 2.6.10). If an effected parcel will be valued utilizing a waiver

valuation, the minimum payment will be stated on the NPPR and approved by the regional review appraiser. The regional review appraiser's signature on the NPPR will be taken as his/her approval of the amount of just compensation.

2.1.10 - Entering Appraisal Information in READS

Prior to beginning the process of securing appraisals, parcel information must be entered in READS. The person responsible for this varies by region. Those fields, within READS, that are of primary concern to the appraisal process include:

- Interests Required
- Parcel Type (see REPM/Subsection 2.1.3)
- Present Use
- Property Address
- Property Owner
- Tax Key No.
- Taxing Unit
- Zoning
- To the extent possible, it is also important to ensure that the project plat has been uploaded into READS and is available for the appraiser.

Each region will need to determine whether the assigned appraiser(s) will be responsible for entering any of their value findings into READS. If the appraisers will be required to make entries into READS, then this responsibility must be indicated in the scope of services included in the appraisal contract, and the appropriate steps must be taken to provide appraisal consultants appropriate access to READS. The region should also ensure that department appraisal staff and the review appraiser(s) are informed of any READS entry responsibilities. Ultimately, the assigned review appraiser(s) will be responsible for ensuring that the information in READS and the appraisal report under review are the same at the time that he or she approves the appraisal report.

2.1.11 - Changes to the Appraisal Scope of Work Agreement

If, during the appraisal development process, the assigned appraiser determines that preliminary decisions made during the development of the appraisal scope of work agreement were flawed, or in error, then he or she must communicate their concerns to the review appraiser assigned to the parcel in question. The communication should be in writing; preferably an email generated through READS. The RE project manager or lead worker should be copied on the communication. Possible issues that might arise could be:

- It is discovered that a parcel, originally assumed to be clean, is potentially contaminated;
- The appraiser discovers impacts to previously unknown underground improvements (examples: well, septic system, irrigation system, buried electrical, etc.) that will require third party estimates and, or result in previously unanticipated severance damages;
- Previously unidentified ownership issues may change the larger parcel determination and potentially complicate the appraisal analysis;
- Previously unidentified land use, or zoning issues may result in unexpected severance damages that will complicate the appraisal analysis;

These examples are not all-inclusive. The primary point to be made is that previously unknown or overlooked property characteristics that have the potential to complicate the appraisal

analysis or require the use of assignment conditions (hypothetical condition, extraordinary assumption or jurisdictional exception) that were not previously approved, must be communicated by the appraiser, to the review appraiser. The review appraiser and the appraiser must then determine whether the discovered information requires a change to the appraisal scope of work agreement. The discussion on the possible need for a change to the agreement can be verbal; however, the initial notification by the appraiser, and approval of any changes by the review appraiser must be in writing (preferably by email through READS), with the RE project manager copied. A copy of the revised appraisal scope of work agreement must be provided to the RE project manager, who will determine whether the revisions will result in the need for an amendment to the contract. Any required amendments to the contract must be completed before the added work can be started. The appraisal scoping checklist and the appraisal scope of work agreement must be updated by the review appraiser to reflect the additional complexity issues.

2.1.12 - Alternate Offers

If the approved amount of just compensation for a partial acquisition must be revised to add an alternate offer for the acquisition of an uneconomic remnant (see REPM/Subsections 3.3.1 and 2.6.10.2). 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 department 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 (RHP). 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; and,
- 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).

Note: When closing a parcel with a remnant, make sure READS is updated correctly so that this remnant is identified in the property management land inventory for future surplus land sales. Inform the plat unit of this alternate offer, the plat needs to be amended to show a total acquisition.

2.1.13 - Appraisal Report Updates and Contract Amendments

Design changes, or other significant changes on a project may require that an appraisal report be revised. The changes to the appraisal report may be minimal, or they may be extensive. An analysis of the potential report changes will reveal whether the work order will need to be amended. If the required modifications to the appraisal report are the result of an error on the part of the assigned appraiser or could have been avoided if the appraiser had adhered to the original terms of the contract, then an amendment to the original contract terms should not be required. If the appraisal modification is the result of a change initiated by the department, the fee for the changes to the individual parcels should be negotiated before approving the amended bid tab.

An amendment is required for any modification in the terms of the original contract. Amendments may not be used for additional work on projects not included in the original contract unless approved prior to submittal from the statewide consultant engineer. Amendments on work orders should be limited. See the FDM Chapter 8 for work order amendment procedures.

Appraisal reports occasionally must also be updated for time. This usually occurs when the project has been delayed, and the appraisal must be updated for potentially new comparable sales. If an appraisal is older than 6 months, or if the real estate market is especially volatile, consult with the review appraiser to determine if an appraisal update is warranted. If an appraisal must be updated for time, the region must either amend the work order, or handle it administratively.

The appraisal scope of work agreement does not need to be updated or revised as the result of a contract amendment or appraisal report update, unless the required changes will result in additional appraisal complexities being created and necessitate the appraiser's employment of previously unapproved appraisal assignments (hypothetical conditions, extraordinary assumptions or jurisdictional exceptions).

Note: During the two-year term of the master contract, fee appraisal firms may experience appraisal staff changes. The fee appraiser must notify WisDOT of new appraisal staff. If an individual(s) was not originally named or included as part of the appraisal master contract Notice of Interest (NOI) solicitation materials, the individual must complete the Appraisal Services Capability Statement form (RE1041). In addition to completing a capability statement form, each individual(s) seeking first time approval must receive a separate written approval from BTS-RE prior to beginning any work on a WisDOT real estate project.

2.1.14 - Reviewing Owner's Appraisals

49 CFR Part 24.102(f) – Basic acquisition 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...." As part of the 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 is not required to seek the assistance of the assigned review appraiser, especially when the differences between the state's appraisal and the property owner's appraisal are

relatively minor or exhibit reasonable differences of opinion. However, it is strongly advised that the review appraiser be consulted when serious differences between the two appraisals exist. Involvement of the assigned review appraiser is at the discretion of the region. The region also has the option to determine what portions of the property owner's appraisal they want the reviewers to comment on. Unless the region requests that the review appraiser perform their own appraisal, they cannot ask the reviewer for their opinion of the value presented in the property owner's appraisal. REPM/Subsection 2.6.11 instructs the reviewer to limit their comments to issues of quality and appropriateness of analysis, when reviewing a property owner's appraisal, unless they are authorized to establish their own opinion of value. The reviewer can also verify factual data and check technical issues in the appraisal.

If the region feels that a specific property owner's appraisal requires an independent review by a review appraiser not involved with a project, they can request the assignment of a statewide review appraiser.

2.1.15 - Appraiser and Review Appraiser Qualifications

The following qualifications are based, in part, upon the training requirements for staff appraisers, regional review appraisers and statewide review appraisers found in Addendum A – WisDOT Real Estate Appraisal Training (Addendum A) of the REPM.

2.1.15.1 - Staff Appraisers Completing Non-Complex Appraisals

In order to complete non-complex appraisals (as defined in REPM/Subsection 2.6.3.1), regional appraisal staff must either:

- Be a state-licensed, or a certified residential or general appraiser, with adequate experience developing and reporting eminent domain appraisals to complete non-complex appraisals for WisDOT (adequacy of experience will be determined by the regional RE supervisor and BTS-RE chief).

Or

- Be assigned a mentor (typically this will be a BTS statewide review appraiser but could also be a regional RE supervisor or lead worker). A mentoring agreement will be signed by the mentor and the mentee. The standard mentoring agreement can also be found in Addendum A of the REPM.
- The completion of coursework and experience required to establish competency as a staff appraiser, able to complete non-complex appraisals as outlined in Part II of Addendum A.

2.1.15.2 - Fee Appraisers

As required by federal regulations and the policies of the department all fee appraisers must be certified residential or general by the state of Wisconsin. WisDOT further requires that the fee appraiser have sufficient experience, and demonstrates an acceptable level of competency, in the preparation of appraisals for eminent domain. The fee appraiser must also complete the NOI process. The NOI process will be used to determine whether the fee appraiser has sufficient eminent domain appraisal experience. A list of firms currently under master contract for appraisal work can be obtained by accessing the All-Inclusive List of Real Estate Master Contracts spreadsheet that is maintained by BTS-RE.

2.1.15.3 - Regional Review Appraisers and Staff Appraisers Completing Complex Appraisals

Before a staff person can perform regional reviews or prepare complex appraisals, they must, in addition to completing Part II requirements, (as described in REPM/Subsection 2.1.15.1), meet the following qualifications:

- Be a state-licensed, or a certified residential or general appraiser, with adequate experience* developing and reporting eminent domain appraisals to complete or review (as a regional review appraiser) non-complex appraisals for WisDOT.

Or

- The completion of coursework and experience required to establish competency as a staff appraiser, able to complete complex appraisals, or as a regional review appraiser. Required coursework and experience is outlined in Parts III and IV of Addendum A.

For regional reviewers, the following experience is also required:

- A minimum of two years' experience preparing the type of appraisal being reviewed.

Staff who do not meet these requirements may be approved, subject to a conditional approval by the BTS-RE appraisal manager until all requirements are met. The BTS-RE appraisal manager will maintain a pre-approved list of qualified region personnel. The list can be obtained by contacting the BTS-RE appraisal manager.

*The adequacy of the experience and demonstrated competency to prepare complex appraisals will be determined by the regional RE supervisor and BTS-RE chief and will be determined for regional review appraisers by the BTS appraisal manager.

2.1.15.4 - Statewide Review Appraisers

Prior to conducting statewide appraisal reviews, an individual shall meet the following qualifications:

- Must have either a Wisconsin Certified General or Certified Residential Appraiser designation and must demonstrate sufficient experience in eminent domain appraising, as determined by the BTS appraisal manager.

Or

- Must be a Wisconsin licensed appraiser with significant experience in eminent domain appraising*.

And

- Have met all the educational and experience requirements outlined in REPM/Subsections 2.1.15.1 and 2.1.15.3 presented above.
- Completion of acceptable coursework, or demonstrated competency as outlined in Part V of Addendum*.

*Significant experience in eminent domain appraising, coursework or understanding will be determined by BTS appraisal manager.

If any of the above qualifications are not met, the BTS appraisal manager may require or approve other additional courses or appraisal-related experience to substitute temporarily until the qualifications are met.

2.1.16 - Appraiser Evaluations

All evaluations are now done electronically through Contract Administrative Reporting System (CARS). Wisconsin statutes requires the department to prepare performance evaluations of consultant appraisers at the conclusion of every project. However, as a best practice in RE, because our needs are so specialized, we want to conduct an evaluation at the close of every contracted service. Real estate project managers should work with their regional consultant services staff to ensure that evaluations are completed and entered at the close of every contract service for real estate. Copies of all completed evaluations are provided to the consultant being evaluated. Conferences to discuss performance can and should be arranged as needed. Regional offices may request removal of a consultant from the list of approved appraisers for performance problems. While the regional RE offices have discretion in recommending termination of a contract, if they choose to do so, they must coordinate with BTS-RE and Bureau of Project Development - Consultant Services (BPD-CS). If a consultant termination occurs, the agency will submit an explanation of termination to the consultant, with copies to Division of Business Management – Contract Administration Unit (DBM-CAU) and BTS-RE.

2.1.17 - Poor Performance by Appraisers

If WisDOT is having repeated problems with an appraiser; for example, the appraiser is not submitting their appraisals on-time, or their revisions on-time, or the appraiser is not adhering to the appraisal scope of work agreement, the regional RE supervisor and potentially the BTS appraisal manager, if requested, will meet with the appraiser, and identify the specific problems.

If there is an active contract with outstanding deliverables, WisDOT will communicate exactly what needs to be done to successfully complete work on that contract, and what corrective measures the appraiser must take to be considered for any future contracts to perform WisDOT appraisals. WisDOT will follow up with a letter to the appraiser. The letter will state WisDOT's expectations as expressed at the meeting.

If the appraiser takes the necessary corrective measures to comply with the performance terms contained in the contract and specified in the above performance letter:

- He or she will be permitted to complete the contract and receive payment, less any penalties for late delivery.
- The performance letter will be attached to all future contracts/work orders with the appraiser, until such time that WisDOT feels it is no longer necessary.
- If, under any future contracts/work orders, the appraiser does not meet the standards contained in the contract and spelled out in the performance letter, WisDOT will send him or her a follow-up letter, giving the appraiser two weeks to comply with the performance terms of the contract and any additional performance measures that WisDOT determines to be appropriate. If the appraiser does not meet the required performance measures their contract will be terminated, and he or she will be removed from the approved list of appraisers, for both state projects and LPA projects.

If the appraiser does not comply with the conditions in the letter on the unfinished contract, WisDOT will terminate the contract and only pay him or her for the usable work that was delivered.

If WisDOT determines, after the completion of a contract, that there were performance concerns with the appraisal consultant, the region will review the problems verbally and in writing at a meeting with the appraiser. At the meeting, the region will share the appraisal performance evaluation completed by the region and BTS-RE review appraiser(s). WisDOT will follow up with a letter, stating the specific problems with the appraiser.

- The performance letter will be attached to all future contracts/work orders with the appraiser, until such time that WisDOT feels it is no longer necessary.
- If, under any future contracts/work orders, the appraiser does not meet the standards contained in the contract and spelled out in the performance letter, WisDOT will send him or her a follow-up letter, giving the appraiser two weeks to comply with the performance terms of the contract and any additional performance measures that WisDOT determines to be appropriate. If the appraiser does not meet the required performance measures their contract will be terminated, and he or she will be removed from the approved list of appraisers, for both state projects and LPA projects.

2.1.18 - Third Party Estimates Required for Appraisals

At times, appraisers need to get third party estimates from specialists or private contractors outside of the department, for potential impacts being addressed within his or her appraisal.

Examples include:

- Testing, design and cost estimates needed to address impacts to a private well, or septic system;
- A cost estimate to relocate a driveway, or to replace landscaping or lighting;
- A design and cost estimate needed to address impacts to an irrigation system
- A design and cost estimate to modify the internal circulation for a convenience store after the acquisition of access rights;
- A design and cost estimate to reconfigure a parking lot as the result of the acquisition of parking.

Some estimates can be obtained for no cost, but many will require payment to the estimator. The region can either pay the estimator directly, or the appraiser can pay and then the region will reimburse the appraiser. Either way, these items must be accompanied by an invoice and should be paid with a READS payment request identified as payment type: Specialty Subconsultant Estimate Fees. This payment type is already set up in READS. If the estimator is paid directly, the person processing the payment must confirm that the company is setup in the financial system first.



2.2 - APPRAISAL FIELD WORK

This section of the Real Estate Program Manual (REPM) is intended to address the activities of an appraiser when he or she conducts their inspection of the property that is the subject of their appraisal assignment.

2.2.1 - Contacting Property Owners to Arrange Inspection

49 CFR Part 24.102(c)(1) requires that before the initiation of negotiations the real property to be acquired shall be appraised, except as provided in § 24.102 (c)(2), 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." (see REPM/Subsection 2.0.1.2)

s.32.05(2)(a), Wis. Stats. The condemnor shall cause at least one, or more in the condemnor's discretion, appraisal to be made of all property proposed to be acquired. In making any such appraisal the appraiser shall confer with the owner or one of the owners, or the personal representative of the owner or one of the owners, if reasonably possible. (see REPM/Subsection 2.0.1.6)

The Yellow Book states that during the course of inspecting the subject property, the appraiser is expected to meet with the property owner or, in the owner's absence, the owner's agent or representative. If a property owner is represented by legal counsel, all owner contact and property inspections must be arranged through the owner's attorney, unless the attorney specifically authorizes the appraiser to make direct contact with the owner. Owners are generally a prime source of detailed information concerning the history, management, and operation of the property. Under the Uniform Act, the owner or the owner's designated representative must be given an opportunity to accompany the acquiring agency's appraiser during the appraiser's inspection of the property.

When performing appraisals for the WisDOT, the assigned appraiser is expected to take the appropriate steps when attempting to invite the property owner on the inspection of the subject property. The following efforts must be made by the assigned appraiser to invite the property owner, or their representative, to inspect the subject property with him or her.

- If the appraiser has the telephone number of the property owner, he or she should call to arrange an inspection time with them.
 - If the owner accepts, the appraiser must document who was contacted and who will be accompanying them on the inspection.
 - If the owner does not accept, the appraiser must document the call, who they talked to and when, and then report the refusal to accompany the appraiser in the appraisal report.
- If the appraiser does not have access to a telephone number, or if he or she is unable to reach the property owner at the number that they have, then the appraiser must attempt to contact the property owner by mail. The letter should invite the owner to accompany the appraiser at a time that is convenient to the property owner, and not simply state that the appraiser will be at the site at a specific date and time, if the owner wishes to join

them. The letter containing the invitation should be sent by priority mail with a notification of delivery to document the appraiser's efforts to contact the owner. Possible sources for an address for the property owner would be:

- The Real Estate Automated Data System (READS)
- The mailing address for the property taxes
- For corporations; the Wisconsin Department of Financial Institutions might have an address for the property owner or their registered agent
- The appraiser should visit the site and attempt to contact the owner directly, or in the case of a commercial occupant, he or she may be able to talk with the manager.

If after the initial inspection of a subject property, there is a change to the proposed acquisition, the appraiser will contact the property owner to inform them of the change. This notification must be made whether the property owner accompanied the appraiser on the initial inspection or not. The subject property need not be re-inspected by the appraiser if:

- The property owner has no desire to inspect the changes with the appraiser;
- The changes are minor in nature;
- The changes result in a reduction of the proposed acquisition.

The subject property must be re-inspected by the appraiser if:

- The property owner wishes to re-inspect the property with the appraiser;
- The changes are significant in nature;
- The changes result in an increase in the proposed acquisition.

The efforts to contact the property owner must be documented within the appraisal report. If the appraiser is unable to contact the property owner or their representative, they must inform the assigned review appraiser to determine an acceptable conclusion to the search for the property owner.

2.2.2 - Owner Interview and Comments

The appraiser's inspection of the subject property is an opportunity to gain trust and respect of the owner, plus obtain information not always readily apparent. If the property is tenant-occupied, try to arrange the inspection/interview with both the owner and the tenant. The owner's attitudes and concerns should be recognized and noted but, in most cases, need not be made a part of the formal appraisal report. Relevant comments made by owners should be jotted down and given to the acquisition supervisor for consideration and appropriate action. Sometimes a design change will result. Sometimes the assigned negotiator will benefit from the information obtained by being able to have the appropriate information when meeting with the owner.

Before interview, appraiser shall:

- Be familiar with and able to explain the right of way (R/W) plat and plans associated with project and take them on the appraisal call.
- Be familiar with overall project design, purpose and schedule.
- Check for grade change, access control, number and location of driveways being replaced, new location of existing utility lines, location of drainage structures on new road and any other factors that may affect after condition of subject.
- If buildings are being acquired, check cost manual to see what information will be needed to determine its cost.

- Prepare a pencil sketch of property and fill in details during property inspection.
- Review property history (title search), zoning, tax assessment, aerials, soils information (if applicable) and any other data regarding subject property. Write down specific questions to ask.

At interview, appraiser shall:

- Ask about age of buildings, when renovated, date of additions, specific work performed in renovating, etc.
- Ask about any/all items you cannot actually inspect (insulation in walls, thickness of concrete, type of covered wiring, location of septic tank and well, plumbing and duct work, drain tiles, etc.). Verify this information to the extent possible and pertinent.
- Ask if there is any land or buildings being rented by them in the area.
- Ask owner if there are any tenant-owned buildings or improvements (including machinery, equipment and fixtures).
- Discuss highway project in general, the design, purpose and schedule.
- For before and after appraisals, inspect entire property with owner.
- For strip appraisals, field-inspect the acquisition area with owner and note type, description and location of improvements being affected. Ask the owner if they have any knowledge of underground improvements in or near acquisition area.
- Get information on age of heating, air conditioning, roof and other replacement items.
- Let owner know person(s), address and telephone number to contact for answers to special questions not relating to appraisal.
- Make a list of what is and what is not real property.
- Obtain copies of any applicable leases.
- Request copies of any recent surveys or building plans, if available.
- Take all necessary photographs at this time. Try to show acquisition and its effect on remainder, if possible. Get at least one photo of owner's concerns, if any. If buildings are to be acquired, close-up photos of any deferred maintenance would be helpful. When taking photos, staff (appraiser, acquisition agent, relocation agent) should exercise caution to avoid including individuals in these photos. Appraisal reports and parcel files will eventually become a matter of public record and could be made public. Staff should endeavor to preserve the privacy of the property owners. Special care should be taken to avoid photographing minor children. Staff should also exercise caution with interior photos of homes / offices to avoid sensitive information and personal possessions.
- Verify any recent sale of subject or sell-off.

Use your judgment in the owner interview as far as details and depth of the interview. A very simple strip taking does not require or warrant an in-depth inspection or interview. Conversely, a major acquisition will require much more of an interview and inspection. Some do nots for the property inspection/owner interview:

- Do not argue with owner about potential damages or benefits.
- Do not ask owner's opinion of value.
- Do not attempt to find or broker replacement property.
- Do not attempt to negotiate price.
- Do not discuss value ranges with owner or indicate a "ball park" estimate.
- Do not give information relating to possible relocation benefits.
- Do not make comments leading to expectations of a valuation in excess of market value.

- Do not make negative comments about property, regardless of condition, location, etc.
- Do not suggest or recommend any firm or individual for an owner obtained appraisal.
- Do not try to give opinions of likelihood of damages or benefits.

As part of appraisal process:

- When an appraiser is faced with an appraisal assignment involving a total taking of an improved commercial property, or a partial acquisition from a commercial property that includes the acquisition of: a commercial building; a portion of a commercial building; or a mixed-use building that includes commercial activity, their first action should be to contact the relocation advisor assigned to the parcel. If no relocation advisor has been assigned to the parcel, then the appraiser should contact the project manager and alert them to the need to assign a relocation advisor. Parcels involving the possible displacement of a commercial activity require close coordination between the appraiser and the relocation advisor to avoid double payments to displacees and an appropriate accounting/inventory of affected trade fixtures.
- In farm operations, the appraiser and the relocation specialist should carefully review the issue of circuitry of travel during the appraisal process to determine the effect on the farm operation and whether a relocation of the farm is warranted. Such discussions may also include real estate management, project management and engineering staff.
- Circuitry of travel and access issues may impact other types of businesses. This issue should be carefully reviewed during the project development phase of the highway project (preliminary engineering) and during the appraisal process. Such reviews should be considered in determining whether relocation is warranted.
- The appraisal process should validate and/or substantiate any change that has an impact on the business and may signal a significant reduction in functional utility to the present business.

All these complex situations may require discussions with expertise from other functional areas within WisDOT. Referral and discussion with the project design engineers and other work groups must take place prior to completing the appraisal/relocation interviews, so that all the issues can be adequately addressed, to provide relocation assistance and accomplish the move in a timely manner.

2.2.3 - Inspection of Site Improvements and Structures

Adequate notes should be taken as to the type of material, size, age, condition and location of each site improvement. The scope of the appraisal's structure inspection will depend on the complexity of the appraisal problem. When a short form appraisal report is to be used, a brief exterior inspection of the structures will usually be sufficient with notes kept in the appraiser's file. In the standard appraisal report, where damages due to the acquisition are likely to occur, a more detailed inspection of the structures will be required, and a description of the improvements must be included in the appraisal report.

2.2.3.1 - Residential Improvements and Structures

Site improvements - The inspection of the residential site improvements should be thorough and concise for both the short form and standard appraisal reports so that it can be determined if any of the improvements are to be affected by the acquisition. This can be done at the same time as the inspection of residential structures. This is also a

good time to take measurements and pictures of R/W staking. These measurements and photos will indicate the improvements and landscaping to be acquired. It will also indicate the before and after setback distances of structures from the centerline and R/W lines. Some of the typical site improvements on residential properties are paved driveways, patios, planter boxes, on premise signs, lanterns and ornamental fences. Some typical site improvements located underground are: wells, septic systems, drainage fields, water lines and fuel storage tanks. The location of these underground improvements can usually be verified with the property owner.

Structures - The actual age of the dwelling should be determined to the best extent possible from the owner or public records. The appraiser estimates the effective age, based on condition. The appraiser should estimate the remaining economic life of the improvements. When making the exterior inspection of the dwelling, the appraiser should note the architectural style, make a precise measurement of the perimeter of the structure, and identify and measure porches, vestibules, patio decks, or other projections from the main structure. Note the type of siding (wood, metal, brick veneer, etc.), roof style and type of shingles. Also note type, style and number of windows and doors and the chimney's exterior (brick, stone, metal, etc.). Additional items to be noted during the exterior inspection of the dwelling are type of foundation, full or part basement, concrete slab or piers, combination storm windows and doors, rain gutters and down spouts, brick or stone floral planters, television antennas, on roof or attached towers, central air conditioning. Other small structures on a residential property such as garden and tool sheds should be described as to use, style, construction, size and observed condition of the structure.

When the appraiser anticipates the need to value the structures located on a property being appraised, a complete inspection of the interior of the structures should be conducted. Items to be considered during an interior inspection include, but are not limited to:

- Basement descriptions should note if full or partial; and, indicate type of foundation and walls, floors, supports, finished recreation rooms, laundry room, workshop, etc. Include an inventory of the utilities in the basement such as the furnace and type of fuel used, water heater, laundry facilities, floor drains, sump pump and exterior entrances, if any.
- Bathrooms should also be adequately described as to where they are located (i.e., main floor, second floor, basement, etc.); indicate the number of fixtures, tile work, vanities and vent fans. Bedrooms should be identified by location, size, wall and floor covering and whether adequate closet space is available.
- Garages should indicate if attached to the dwelling or detached; and, indicate the type of construction, roof style, and measurement around the perimeter and square foot area. Note special features as to floor type, number of doors, entrance and overhead, automatic door openers, electricity, floor drain, insulation and heat, if available. Indicate actual age and observed condition.
- Interior description of the dwelling should include the size of the total living area in square feet, room count and the location of these rooms. If the home is being acquired, the interior room sizes are also needed to help with relocation calculations. A general description of the interior finish should be noted such as floor and wall coverings (i.e., carpet, tile, hardwood floors and trim, plastered walls or drywall), acoustical ceiling tile and ceramic tile bathrooms.

- Insulation- The appraiser should attempt to ascertain the condition and amount of insulation in the walls and attic. This information does not need to be obtained through a personal inspection. Information from the property owner is adequate.
- Kitchens are an integral part of the dwelling, so take time to adequately describe them. Indicate the room size, wall and floor covering, dining area, length and type of cabinetry, built-in appliances such as oven & range, dishwasher, vent hood, disposal, etc.

2.2.3.2 - Agricultural Improvements and Structures

The following is a list of typical farm structures and items to be noted for each:

- Barns
 - Actual age and observed physical condition
 - Attached structures such as milk house, lean-to and feed rooms
 - Barn type (i.e., dairy), construction (i.e., frame) and size around the perimeter and square foot area
 - Basement construction (masonry, wood, stone, etc.)
 - If use is other than dairy farming, indicate the use and related equipment
 - Milk house construction (frame, masonry), size, age, equipment (milking system, bulk cooler, wash tanks, water heater, etc.)
 - Roof style (gable, gothic gambrel, etc.) and type of roofing (asphalt, metal, wood, etc.)
 - Special equipment (pipeline milking system, water system, feeding systems, barn cleaner, vent fans, number of stanchions, calf pens, etc.)
- Frame buildings
 - Age and observed condition
 - Size (perimeter sq. ft.) and measurement
 - Use and type of construction
 - Utility of older frame buildings if considered adequate for newer machinery or some other related farm uses
- Fuel stations and underground tanks
 - Age and observed condition
 - Capacity
 - Location
 - Size
- Metal buildings
 - Age and observed condition
 - Floor (surface concrete or partial)
 - Size (perimeter sq. ft.)
 - Style (i.e., gable roof)
 - Use (crop storage, machinery storage, work shop, etc.)
 - Wall height, doors, windows and skylights
- Miscellaneous structures (corn cribs, feed/grain hoppers, automated feed bunks, etc.)
 - Capacity age and observed condition
 - Location
 - Size (perimeter sq. ft.)
 - Use and type of construction

- Silos
 - Age and observed condition
 - Construction (concrete stave, tile, harvester, etc.)
 - Location
 - Size, height and diameter
 - Special equipment (i.e., un-loaders)

2.2.3.3 - Commercial / Industrial Improvements and Structures

The inspection of commercial or industrial improvements should include, but not be limited to:

- Access - number/type of doors (entrance or overhead), entrances to street, etc.
- Age and observed condition of the structure overall
- Basement area
- Exterior finish and condition
- Fixtures or special equipment, especially in industrial buildings such as elevators, loading docks, conveyance systems
- Fuel stations and underground tanks
- Interior finish, room arrangement and condition
- Number of floors and ceiling heights
- Present use and utility
- Size, perimeter and square foot calculations
- Roof type
- Utilities - number of restrooms, type of heat, electrical service, ceiling height, special lighting, sprinkler systems and municipal or private water and sewer systems, etc.

2.2.3.3.1 - Determination of Fixtures

Fixture – The definition of a fixture is an article that was once personal property but has since been installed or attached to the land or building in a rather permanent manner so that it is regarded in law as part of the real estate. Attached improvements can be real or personal property. If attached to the realty in such a manner that its removal would damage the real property or the fixture, the fixture is realty. If the fixture is removable without damage, it is generally considered personal property. An item of equipment that, because of the way it is used, the way it is attached, or both has become an integral part of a building or other improvement is a fixture and may be considered real estate. A fixture, such as a bathtub, is classified as real property, but trade fixtures (fixtures used in the conduct of business) are classified as personal property.

The appraiser and the relocation advisor will coordinate to ensure that the services of a FF&E appraiser are secured to handle the actual identification and valuation of the affected commercial fixtures. When the FF&E appraiser completes the report, it will be reviewed by the relocation advisor, the review appraiser and the project's lead worker/acquisition agent. If there is a disagreement, as to the designation of a specific item, the assigned review appraiser, in conjunction with BTS relocation staff, will make the final determination. Once the FF&E report is accepted, the report will be provided to the assigned RE appraiser. The appraiser will not be asked, nor should they attempt, to identify or value any of the personal property, or commercial trade fixtures contained within the subject property. Possession of the approved

FF&E report will enable the RE appraiser to properly exclude the identified fixtures from his or her appraisal analysis and the physical characteristics of the property being appraised.

2.2.4 - Cost Estimates

It is often necessary to get cost estimates for parking lots, building repair, replacement of septic systems, well drilling, etc. It's important that the contractor or consultant understand exactly the extent of the work to be done and that detailed specifications of the work and cost are required. The appraiser or regional staff, rather than owner, is to meet with the contractor and spell out exactly what is needed. If there is anything questionable about the estimate, it should be reviewed for acceptability by regional staff and the review appraiser prior to including it in the appraisal. Dimensions, materials required, labor, and specifications when appropriate, are the critical part of the written estimate. A sketch showing where parking is to be replaced, for example, may be necessary in addition to dimensions and specifications. If possible, the proposal should be in the form of an actual bid to do the work. These estimates are not valuation or specialty reports; and, therefore, do not need a certification.



2.3 - EMINENT DOMAIN APPRAISAL REPORTING

2.3.1 - Appraisal Reporting Standards

The Uniform Act directs that appraisals must be performed for federal or federally assisted real property acquisitions. The definition, and requirements for the preparation of, an appraisal have been codified under 49 CFR Part 24.2(a)(3), and 49 CFR Part 24.103(a)(1) through (5). Wisconsin State Statutes have also established requirements for the use of RE appraisals for the acquisition of property under the threat of eminent domain, and how those appraisals should be developed and reported. In addition to meeting the requirements set forth in the CFR, and state statute, eminent domain appraisals prepared for the WisDOT must also adhere to the development and reporting standards established under the USPAP. USPAP has been written with sufficient flexibility to allow the appraisers performing eminent domain appraisal work to adhere to federal and state regulations and laws, while still meeting professional appraisal standards. To assist staff appraisers and appraisal consultants meet the federal and state requirements for eminent domain appraisals, as well as the professional standards established under USPAP, WisDOT has developed the appraisal reporting standards contained in this section of the REPM.

While REPM Ch. 2, in general, and REPM Section 2.3, specifically are intended to be consistent with federal regulations, state laws and professional appraisal standards, the appraiser is ultimately responsible for meeting his or her legal requirements and professional obligations.

2.3.2 - Appraisal Report Formats

The department accepts the following three reporting formats for appraisals prepared for eminent domain:

- Appraisal Report - Short Format (RE1005)
- Appraisal Report - Standard Abbreviated Format
- Appraisal Report - Standard Detailed Before and After Format

According to USPAP Standard 2-2, each appraisal must identify whether it is an appraisal report or a restricted appraisal report. The above reporting formats are all considered to be appraisal reports, as defined by USPAP. WisDOT does not accept restricted appraisals.

The following matrix identifies the property type and acquisition (partial or total taking) where each of the above appraisal reporting formats are appropriate. The property types referenced in the matrix are defined and discussed in REPM/Subsection 2.1.3:

Appraisal Reporting Format Matrix	Partial Acquisition	Total Taking	Nominal Payment Parcel Report	Short Format (RE1005)	Standard Abbreviated Format	Detailed Before and After Format
	Acquisition	Reporting Format				
Nominal w/Appraisal Waiver	X		•			
Nominal wo/Appraisal Waiver	X			•		
Intermediate	X			•		
Intermediate		X		•		
Intermediate Improved	X				•	
Intermediate Improved		X			•	
Major	X					•
Major		X			•	
Major Improved	X					•
Major Improved		X			•	
Complex	X					•
Complex		X			•	
Complex Improved	X					•
Complex Improved		X			•	

The following summary addresses which valuation reporting formats are appropriate for the individual property types, and is a restatement of the above matrix:

- Nominal Payment Parcel Report (Waiver Valuations*):
 - Nominal parcels where the property owner has waived their right to an appraisal
- Appraisal Report-Short Format
 - Nominal parcels where the property owner has not waived their right to an appraisal
 - Partial acquisitions from intermediate parcels
 - Total takings of intermediate parcels
- Appraisal Report-Standard Abbreviated Format

Acquisition Type	Parcel Type	Impacts
Partial	Intermediate Improved	The after-condition impacts will be minimal and should not require significant analysis.
Total	Intermediate Improved	No after-condition
Total	Major	No after-condition
Total	Major Improved	No after-condition
Total	Complex	Even though the before condition will require the reporting of extensive analysis, there is no after condition to report.
Total	Complex Improved	Even though the before condition will require the reporting of extensive analysis, there is no after condition to report.

- Appraisal Report-Standard Detailed Before and After Format

Acquisition Type	Parcel Type	Impacts
Partial	Major	The after-condition will reflect significant changes to the larger parcel and severance damages may result
Partial	Major Improved that removes the primary building improvements and result in a vacant remainder	The after-condition will reflect significant changes to the larger parcel and severance damages may result.
Partial	Complex	The after-condition will reflect significant changes to the larger parcel and severance damages may result
Partial	Complex Improved	The after-condition will reflect significant changes to the larger parcel and severance damages will result.

*Waiver Valuations are not appraisals and are not included in REPM/Section 2.3. Waiver valuations will be addressed in REPM/Section 2.5. Waiver valuations are included in the above summary (matrix) to address their role as a valuation option and how they fit with the appraisal formats available.

Each of the above appraisal report formats, and their appropriate use, will be addressed in REPM/Subsections 2.3.3, 2.3.4 and 2.3.6.

Appraisal report formats and analysis issues associated with appraising surplus property are covered in REPM/Subsection 6.5.7.

2.3.3 - Appraisal Reporting Standards - Detailed Before and After Format

The Appraisal Report - Detailed Before and After Format is the appropriate eminent domain appraisal reporting format when dealing with parcels involving partial acquisitions from major, major improved, complex and complex improved property types. These property types require a high level of analysis and reporting for all sections of the content of the appraisal report. The Appraisal Report - Detailed Before and After format is based upon the utilization of the entirety of the content of the appraisal report contained within REPM/Subsection 2.3.5 and is effectively two separate appraisal analyses in one report. As discussed in REPM/Subsection 2.0.2.1.1 a before and after appraisal values the subject property prior to the proposed acquisition and subsequent construction project (before-condition) and after the proposed acquisition and subsequent construction project (after-condition), then compares the two values to determine any potential loss in value resulting from the acquisition and subsequent construction project. The loss in value will include the value of the RE acquired and any severance damages, or special benefits.

The cost approach and, or income capitalization approach sections of both the before and after conditions may be excluded if the appraiser determines that one, or both, of the approaches to value are inappropriate for the property being appraised. The appraisal report content and analysis must be adequate for the reader to fully understand the appraiser's opinions and

conclusions. An appraisal report that allows or requires the reader to draw any conclusions of their own is inadequate.

2.3.4 - Appraisal Reporting Standards – Standard Abbreviated Format

The Appraisal Report - Standard Abbreviated Format is the most commonly used format for WisDOT acquisitions. The standard abbreviated reporting format is the appropriate eminent domain appraisal reporting format when dealing with the following acquisition and parcel types (see the Appraisal Reporting Format Matrix in REPM/Subsection 2.3.2):

- A partial acquisition from an intermediate improved parcel
- A total taking of an intermediate improved parcel
- A total taking of a major parcel
- A total taking of a major improved parcel
- A total taking of a complex parcel
- A total taking of a complex improved parcel

The above parcels involve either total takings where there is no after condition to analyze, or partial acquisitions where the after condition will reflect only minor changes to the larger parcel and, or severance damages that are easily identified and cured without the need for extensive analysis. If the standard abbreviated report format is utilized for a partial taking, the after condition discussion and analysis required should be minimal and any potential after condition valuation grids or analysis should, where possible, be replaced with minor additions to the before condition valuation and descriptions. The inclusion of the after-condition changes (if minor in nature) as a continuation of the before-condition discussion should be adequate to address the analysis of the before and after conditions. The appropriate use of the standard abbreviated reporting format for a partial acquisition does not relieve the appraiser of the responsibility of conducting a before and after analysis as part of his or her appraisal development activities (as directed by REPM/Subsection 2.0.2.1.1); however, the reporting of the appraiser's findings need only be as thorough as is required by the appraisal problem.

The standard abbreviated reporting format is based upon the table of contents and reporting standards as outlined in REPM/Subsection 2.3.5 with the appraiser deleting those sections that are not necessary to solve the appraisal problem. If the acquisition is a total taking all after condition content should be removed. If the acquisition is a partial taking then the after condition content should be condensed down to a minimum, and, where possible combined with the before condition discussions and analysis.

The following guidance addresses the appropriate level of documentation for the property types/acquisitions covered by the standard abbreviated reporting format (an expanded description and analysis of the identified parcel types is available in REPM/Subsection 2.1.3):

Intermediate Improved Parcels

- The reporting of the factual data for the before-condition can be minimal so long as the affected land or improvements are addressed sufficiently to support the appraiser's value findings.
- Any primary buildings that might exist on the larger parcel should be described in general terms (building type, size, condition and location), and included in the

valuation. The impacted minor buildings (garage, shed non-agricultural outbuildings) must be described in sufficient detail to support their valuation.

- A valuation of the minor buildings or site improvements to be acquired should be based upon their depreciated reproduction costs. If the parcel includes primary occupied buildings that will not be acquired, they can be valued using their assessed values.
- In the event of a partial taking, the acquisitions will typically result in either no severance damages, or only minor curable severance damages, so the discussion of the after condition can be minimal and possibly treated as an expansion of the before-condition discussion, combined with an estimation of the cost to cure any identified severance damages. The factual data for the after-condition must, however, provide a description of the acquisition that is adequate to support the appraiser's determination of minimal or no severance damages. The after-condition description of the subject property can be addressed as an extension to the before-condition description that indicates that the only change in the after-condition is the loss of the RE acquired (land and site improvements).
- Intermediate improved parcels involve parent tracts that typically require only minimal before condition analysis to determine the larger parcel and highest and best use. The absence of a need for an extensive highest and best use, or larger parcel analysis should be reflected in the reporting of the analysis conducted. The after condition highest and best use can be the simple statement that "the highest and best use does not change in the after condition".
- The before and after valuations will normally be based upon the use of a single analysis grid, with the after-condition unit value being stated as being the same as the before-condition unit value.

Total Takings of Major, Major Improved, Complex and Complex Improved Parcels

- The description of the larger parcel's site and improvements must be adequate to support the valuation of the larger parcel. The complexity of the highest and best use and larger parcel issues associated with the covered parcels dictate that the descriptions of the site and improvements be comprehensive and complete. The descriptions of the site improvements and primary buildings must fully conform to the standards as established in REPM/Subsection 2.3.5, Item 11.
- The improvements must be valued within the appraisal report. The appraiser may not utilize the assessed value of the building improvements.
- There will be no after-condition to consider, so any after-condition sections or references can be eliminated from the appraisal report.

2.3.5 - Appraisal Reporting Standards – Content of the Appraisal Report

The content of the appraisal provides a table of contents, which is modeled after the Yellow Book and will form the basis of the formats for the Appraisal Report – Detailed Before and After, and the Appraisal Report – Standard Abbreviated. The descriptions provided for each of the sections of the content of the appraisal report will provide an in-depth discussion of the required content, or reporting standard, for each section, and some guidance as to the degree of flexibility within each section based upon the complexity of the appraisal problem. The standards contained within this section combined with the guidance provided in REPM/Subsections 2.3.3 and 2.3.4 must be adhered to when preparing a detailed before and after appraisal report or standard abbreviated appraisal report for WisDOT's eminent domain activities.

Table of Contents

Introduction

Note: The Introduction sections of the content of the appraisal report require a consistent level of documentation for detailed before and after, and standard abbreviated appraisal reports regardless of the property type. The after-condition information may be excluded for appraisals of total takings.

1. Title Page
2. Letter of Transmittal
3. Table of Contents
4. Certificate of Appraiser
5. Executive Summary
6. Aerial Photo or Parcel Sketch
7. Statement of Assumptions and Limiting Conditions
8. Scope of Work
 - A. The client
 - B. Intended User
 - C. Intended Use
 - D. Purpose of Appraisal Report,
 - Type and Definition of Value
 - E. Effective Date of the Appraisal
 - F. Relevant Characteristics of the Property
 - Rights Being Appraised
 - G. Assignment Conditions
 - Jurisdictional Exceptions
 - Hypothetical Conditions
 - Extraordinary Assumptions
 - H. Description of Scope of Work
 - I. Definitions

Factual Data – Before Condition

9. Project Information
10. Area and Neighborhood Description
11. Subject Property Information – Before Condition

Data Analysis – Before Condition

12. Highest and Best Use – Before Condition
13. Larger Parcel Analysis
14. Approaches to Value
15. Sales Comparison Approach
 - A. Land Value – Before Condition
 - B. Value of Larger Parcel as Improved – Before Condition
16. Cost Approach
17. Income Capitalization Approach
18. Reconciliation and Market Value – Before Condition

Factual Data – After Condition

19. Description of the Proposed Acquisition
20. Subject Property Information – After Condition

Data Analysis – After Condition

21. Highest and Best Use – After Condition
22. Sales Comparison Approach
 - A. Land Value – After Condition
 - B. Value of Larger Parcel as Improved – After Condition
23. Cost Approach
24. Income Capitalization Approach
25. Reconciliation and Market Value – After Condition

Acquisition Analysis

26. Before and After Analysis Vs Value of the Part Taken Conclusions
 1. Value of the Part Taken
 2. Before and After Conclusion
 3. Total Severance Damages or Special Benefits
 4. Curable Severance Damages (Costs to Cure)
27. Temporary Limited Easement
28. Total Damages and Allocation

Addendum

Note: The following list of addendum items reflects the minimum requirements. As stated in the standards presented below the appraiser may include any additional items that they feel is supportive of the appraisal description and analysis contained in the body of the appraisal report. The appraiser must not, however, include raw unanalyzed data that is excluded from the body of the report by the standards presented below.

29. Photographs of Subject Property
30. Location Maps
31. Property Sketch and Larger Parcel Mapping
32. Comparable Sales Sheets
33. Additional Mapping
34. Appraiser's Qualifications

1. TITLE PAGE

The title page must include:

- The Project Number
- The Parcel Number
- The Highway which is affected by the project
- The County where the property being appraised is located
- The name of the property owners
- The address where the property is located. If the property has no address assigned, then a description of the location (Intersection, distance from landmark, Quarter-Quarter of a Section, etc.)
- Report Date

The footer of the report pages must include:

- The Project Number
- The Page Number
- The Parcel Number

2. LETTER OF TRANSMITTAL

Fee appraisers (private consultants) will, as a matter of practice, include a letter of transmittal. Most transmittal letters include language indicating that the transmittal letter must be attached to the appraisal report, and then proceed to number the transmittal letter pages separate from the report. This report standard requires that the fee appraiser include the transmittal letter within the report, not attached to it, and that the pages of the letter be numbered as part of the appraisal report. There are no standards established here for the content of the transmittal letter.

Staff appraisers should not include a transmittal letter in their appraisal reports. Appraisal reports prepared by WisDOT staff are internal documents, and a letter that is intended to transmit an appraisal report to WisDOT from an external source is misleading and inappropriate when used by a staff appraiser.

3. TABLE OF CONTENTS

The table of contents for a Detailed Before and After Appraisal Report will mirror the **Content of the Appraisal Report** as presented above. A Standard Abbreviated Appraisal Report should include only those sections of the Content of the Appraisal Report that are appropriate, or consistent with the analysis that is being reported. **The applicability of the individual sections will be noted in the descriptions provided below.** Page numbers, reflecting the location of the individual sections within the appraisal report, must be included in the table of contents. When proofreading their appraisal report, the appraiser must verify that the page numbering is accurate.

4. CERTIFICATE OF APPRAISER

The following language must be included in the Certificate of Appraiser:

I certify that, to the best of my knowledge and belief:

1. The statements contained in the appraisal report are true and the information upon which the opinions expressed herein are based are correct, subject to the limiting conditions herein set forth.
2. This appraisal has been made in conformity with appropriate Wisconsin Statutes, regulations, policies and procedures applicable to the appraisal of right of way.
3. No portion of the value assigned to this property consists of items that are non-compensable under Wisconsin laws.
4. I have not given consideration to nor included in this appraisal any relocation assistance benefits.
5. The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.
6. I have no (or the specified) present or prospective interest in the property that is the subject of this report, and no (or the specified) personal interest with respect to the parties involved.
7. I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
8. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
9. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
10. Neither my compensation nor my employment is 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.
11. My analyses, opinions and conclusions were developed, and this report has been prepared in compliance with the Relocation Assistance and Real Property Acquisition Policy Act of 1970, as amended, and is consistent with the Uniform Standards of Professional Appraisal Practice (USPAP).

12. 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
13. On _____, I invited _____ (verbally in writing) to accompany me on an inspection of the property. My invitation was accepted rejected appraiser was unable to contact the property owner (steps taken by the appraiser are described below). 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: _____.

Steps Taken to Contact Property Owner: This section is included as part of the Certificate of Appraiser so that the appraiser is required to certify the steps they took to contact the property owner. This requirement is based upon the Uniform Act (42. U.S.C. Sec. 4651(2), federal regulations [49 CFR Part 24.102(c)(1)] and Wisconsin Statute [Section 32.05(2)(a)]. If the appraiser is unsuccessful in their efforts to contact the property owner, they must outline the steps taken to reach out to the property owner. The steps taken should be consistent with the requirements laid out in Subsection 2.2.1 of the REPM. If the appraiser is successful in contacting the property owner, then this portion of Item 13 of the Certificate of Appraiser need not be included in the appraisal report.

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

Note: The Certificate of Appraiser is available as a template. Staff appraisers are required to utilize the Certificate of Appraiser provided above. Fee appraisers are encouraged to either utilize the template provided, or to modify their existing template to include the above statements and to eliminate any statements not included above.

5. EXECUTIVE SUMMARY

The Executive Summary is intended to provide the reader with a synopsis of the pertinent facts on which the appraisal analysis is based, and the final value findings for the acquisition. It is not intended to address issues of analysis. The required information identified below addresses the key elements of the appraisal problem, without covering the entire appraisal process contained in the balance of the appraisal report. The required information identified below is based upon a partial acquisition. The information associated with the "after condition" would not be required in the event of a total taking.

The executive summary must contain the following information:

PARCEL INFORMATION

- Property owner (owner's name).
- Property address (where property is located).
- Owner's address (address where owner lives).

- The owner's contact information (optional).
- Size of the Larger Parcel - Before Acquisition.
 - If the acquisition includes the underlying fee within an existing highway easement, identify the area of the easement and include it in the gross area of the subject property.
 - State whether the larger parcel has improvements or is vacant.
- Size of the Remainder of the Larger Parcel – After Acquisition
 - Indicate whether the acquisition created any remnants. If a remnant(s) was created, state the size of the remnant and the balance of the remainder of the larger parcel.
- Assessor's Parcel Number (Tax ID Number)
- Assessed Value (Land, Buildings and Total)
- Present Use
- Zoning (Identify zoning district)
- Highest and Best Use Before Acquisition
- Highest and Best Use After Acquisition
- Property Rights Being Appraised (Unless informed otherwise, the interests being appraised are Fee Simple Interest)

AREA AND INTERESTS TO BE ACQUIRED

- Project Numbers
 - Identify the page(s) of the Transportation Project Plat, on which the parcel is identified.
 - Indicate if the page has been amended.
 - Identify the date of the TPP and whether the date is:
 - The date of the Plat - If the TPP has not been finalized and approved the appraiser should identify the plot date shown in the bottom margin of the TPP.
 - The date that the TPP was approved – If the TPP has not been recorded the appraiser should identify the date of the signature approving the TPP. This information will be found in the signature block located in one of the corners of the plat page.
 - The date that the TPP was recorded – If the TPP has been recorded the appraiser should identify the recording data located in the upper right-hand corner of the plat page, including the document number of the TPP.
- Area and interest to be acquired
 - State if the acquisition is a partial taking or a total taking.
 - Fee Acquisition
 - If the fee acquisition includes underlying fee rights give a breakdown between the unencumber fee acquisition and the underlying fee acquisition.
 - Highway Easements
 - Permanent Limited Easement (Identify the intended use. If there is more than one use break down the permanent limited easements by the intended uses)
 - Temporary Limited Easement (Identify the expiration date)
 - Indicate if Access Rights are Being Acquired
 - Identify improvements to be acquired
- Effective Date of the Appraisal (this is the date of the appraiser's latest inspection of the subject property)

ALLOCATION OF ACQUISITION

- Before Value
- After Value
- Total Damages
- Allocation of Damages

Note: The Executive Summary is available as a template. Appraisers are encouraged to either utilize the template provided, or to modify their existing template to include the above items and to eliminate any information not included above.

6. AERIAL PHOTO OR PARCEL SKETCH

The aerial photo or parcel sketch that is inserted in this location will provide the reader with an initial visual assist as they read the appraisal report. The exhibit can be a full color reproduction of an aerial photo or parcel sketch that is also provided in the Addendum. The photo or map must show:

- the boundaries of the larger parcel
- the location of any site improvements
- the location of the access to the subject site
- the location of the proposed acquisitions (if the taking is partial)

The appraiser is encouraged to use as many exhibits as they feel is necessary to relate the needed information. Aerial photos and parcel sketches should be full page exhibits. Any ground level photos which the appraiser may choose to include should be of an adequate size to clearly present the photo's content.

7. STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

The Uniform Standards of Professional Appraisal Practice Standards Rule 2-1 states that: "*Each written or oral real property appraisal report must clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.*" The issues of extraordinary assumptions and hypothetical conditions will be addressed in Item 8 below. This section will concentrate on the issue of (general) assumptions and limiting conditions.

The Appraisal of Real Estate, 14th Edition, published by the Appraisal Institute describes assumptions and limiting conditions as follows: "*General assumptions and limiting conditions are usually included as separate pages in the report. These statements are used to help protect the appraiser and to inform the client and other intended users of the report. The general assumptions found in a typical appraisal report deal with issues such as legal and title considerations, liens and encumbrances, property management, information furnished by others (e.g., engineering studies, surveys), concealment of hazardous substances on the property, and compliance with zoning regulations and local, state, and federal laws. General assumptions and limiting conditions should not be treated as boilerplate in the report, although they may be typically applicable to almost all assignments.*"

Statements typically included in the assumptions and limiting conditions can be found in The Appraisal of Real Estate, 14th Edition, as well as other reputable appraisal publications. New or inexperienced staff appraisers are encouraged to work with their mentor or assigned review appraiser to develop appropriate assumptions and limiting conditions.

As stated above, “*assumptions and limiting conditions should not be treated as boilerplate*”. WisDOT recognizes that most appraisers will develop boilerplate language to cover issues associated with assumptions and limiting conditions; however, the following, or similar, statements and terms will not be acceptable in appraisals submitted for review:

- Unless otherwise stated in the report....
- If the subject property is improved....
- In the event that this valuation relates to....

These statements are generic and do not directly apply to the property being appraised. Ambiguous statements about the physical condition of the subject property (example: “if the subject property is improved”) are potentially misleading. Generic statements that do not directly relate to the subject property, leave it to the reader’s judgement to determine whether the described assumptions or limiting conditions are meaningful or appropriate. As a result, the generic assumption and limiting condition statements could be misleading.

If a statement about the subject property is needed the assumption or limiting condition must be clearly stated. If an assumption or limiting condition is not required for the appraisal analysis being reported, it must not be included in the appraisal report. **All** assumptions and limiting conditions that apply to the subject property **must** be placed in the **Assumptions and Limiting Conditions** section of the report. This requirement does not preclude the appraiser from **restating** any of the reported assumptions or limiting conditions elsewhere in the appraisal report if he or she feels it is necessary. Appraisers utilizing a boilerplate Assumptions and Limiting Conditions section **must** proofread this section for each parcel appraised and remove any unnecessary statements prior to submittal for review. Review Appraisers should read the Assumptions and Limiting Conditions to ensure that unnecessary statements are not included. This standard does not permit the inclusion of a supplementary Assumptions and Limiting Conditions in the appraisal report under review. The elimination of inappropriate or vague statements will not result in a reduction of the protection afforded the appraiser by the assumptions and limiting conditions section of the appraisal report, and the absence of unnecessary statements will reduce the potential of misleading the reader.

8. SCOPE OF WORK

The Uniform Standards of Professional Appraisal Practice clearly states that “*In developing a real property appraisal, an appraiser must identify the problem to be solved, determine the **scope of work** necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal.*”

Standard Definition: The Dictionary of Real Estate Appraisal, 6th Edition, published by the Appraisal Institute defines **scope of work** as “*The type and extent of research and analyses in an appraisal assignment.*”

The Wisconsin Department of Transportation (WisDOT) has made the policy decision to expand the appraisal “scope of work” concept, which typically only addresses the appraisal activities

(appraisal development and reporting) of an appraiser, to also cover the activities of the department in its preparation to secure the services of an appraiser. This expanded scope of work, which is referred to as the Eminent Domain Appraisal Process, is addressed in Subsection 2.1.2 (The Eminent Domain Appraisal Process). WisDOT views the appraisal process scope of work as having 5 distinct phases:

1. Project Development Phase
2. Pre-Appraisal Phase
3. Scope of Work Agreement Phase
4. Development Phase
5. Reporting Phase

The first two phases address the department's project responsibilities prior to securing an appraiser. The third phase is a transitional phase that involves both the department and the assigned appraiser. The fourth and fifth phases are primarily the responsibility of the assigned appraiser, with the input and approval of the review appraiser. The first three phases of the appraisal process scope of work are addressed in Subsection 2.1.2 (The Eminent Domain Appraisal Process). The Development Phase and the Reporting Phase will be addressed in the following section

4. **Development Phase:** This phase of the appraisal process involves the research and analysis activities of the appraiser assigned to a specific parcel on a project and corresponds to USPAP Standard 1 (Real Property Appraisal, Development). The Appraisal Scope of Work Agreement developed in the Scope of Work Agreement Phase addresses the anticipated depth of analysis required for this phase of the appraisal process. This phase of the appraisal process addresses the responsibilities of the assigned appraiser(s), with possible consultation with the department's review appraiser.
5. **Reporting Phase:** This phase of the appraisal process involves the reporting of the research, analysis and value determinations of the appraiser assigned to a specific parcel on a project and corresponds to USPAP Standard 2 (Real Property Appraisal, Reporting). The Appraisal Scope of Work Agreement developed in the Scope of Work Agreement Phase addresses, in part, the minimum reporting standards required for this phase of the appraisal process. This phase of the appraisal process addresses the responsibility of the assigned appraiser(s) and the department's appraisal review staff.

The appraisal scope of work for each appraisal assignment should be unique to the appraisal problem being addressed by the analysis being reported; however, the following instructions and reporting standards addressing the scope of work will apply to all appraisal reports completed for WisDOT.

The appraisal scope of work, which describes the appraisal problem and the steps taken to solve it, includes the issues identified below, all of which must be addressed in the development phase to determine the type and extent of the research and analyses necessary to solve the assigned appraisal problem. All of the following information must be addressed in an appraisal report prepared for WisDOT:

- A. The Client:
The Wisconsin Department of Transportation
- B. Intended User:
The Wisconsin Department of Transportation

A copy of the appraisal report will be provided to the owner of the subject property as a consequence of the disclosure requirements established by Wisconsin Statute 32.05. This disclosure requirement does not establish the property owner as an intended user of the appraisal report.

C. Intended Use:

The value determinations of the appraisal will be used to form the basis for the establishment of the just compensation for a proposed acquisition of real estate, under the threat of eminent domain (See Subsection 2.0.2 – Rules of Just Compensation of the REPM).

D. Purpose of Appraisal Report:

In the case of a total taking, the purpose of the appraisal is to estimate the market value of the property being appraised. In the case of a partial taking, the purpose of the appraisal is to measure the market value of an acquisition (value of the part taken), or a change in market value (before and after) resulting from an acquisition (**See** Subsection 2.0.2.1 – Before and After Rule Versus the Value of the Part Taken)

- **Type of Value:** In most cases the type of value that will be identified in the appraisal is “market value”. If the appraiser is unsure of the type of value to utilize in their appraisal analysis, they should consult with the assigned review appraiser.
- Fair Market Value has been defined by Wisconsin Courts in a condemnation context as “that amount which can be realized on sale by an owner willing, but not compelled, to sell to a purchaser willing and able, but not obliged, to buy.” (*City of Milwaukee Post No. 2874 Veterans of Foreign Wars of U.S. v Redevelopment Authority of City of Milwaukee*, 2009 WI 84; *P.C. Monday Tea Co. v Milwaukee County Expressway Commission*, 24 Wis.2d 107, 112-13, 128 N.W. 2d 631 (1964)). While the courts typically utilize the term fair market value, it is held that the term market value is synonymous. Market value will be understood to mean the same as fair market value throughout Chapter 2 of the REPM.
- **Standard Definition** of Market Value: 12 CFR Part 34.42(h), which regulates real estate lending and appraisals, defines market value as: *“the most probable price which a property should 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 conditions whereby:*
 - (1) Buyer and seller are typically motivated;*
 - (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;*
 - ** (3) A reasonable time is allowed for exposure in the open market;*
 - (4) Payment is made in terms of cash in U.S. 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.”*

** USPAP states that “When reasonable exposure time is a component of the definition for the value opinion being developed, the appraiser must also develop an

opinion of reasonable exposure time linked to that value opinion.” The standard for reporting an appraisal prepared for WisDOT requires that the appraiser’s opinion of a reasonable exposure time for the subject property be reported after the definition of value used. The reasonable exposure time reported should be consistent with the sales data provided in the valuation analysis presented in the report. If it is not, then the reason for the difference must be discussed here.

The standard definition of market value cited has been selected by WisDOT as the standard definition for eminent domain appraisals because 12 CFR Part 34.42(h) of the federal banking regulations provides a good listing of the elements typically considered in the real estate industry and financial markets for determining market value. Elements (1) to (5) help an appraiser focus on whether a given sale is a “comparable sale” that is useful for determining market value in a condemnation context. Sales with odd buyback provisions or made with concurrent leases to a large retailer, for example, would be affected by special financing or concessions and would be inappropriate for use as comparable sales. So, too, would a property that is on the market for a matter of hours not accurately reflect market value. Nor would sales between good friends or family members necessarily reflect typically motivated buyers and sellers acting only in their self-interest, thus making such sales unusable for comparable sales purposes. In addition, the cited definition is recognized by J. D. Eaton, in *Real Estate Valuation in Litigation 2nd Edition* as “a definition of market value that is in wide use in the appraisal industry”.

E. Effective Date of the Appraisal:

The effective date of the appraisal is the date of the appraiser’s last inspection of the subject property. The appraiser must clearly state the effective date of the appraisal in the appraisal report.

F. Relevant Characteristics of the Property:

The physical characteristics of the larger parcel will have been summarized in the Executive Summary and will be addressed in-depth in the Subject Property Information sections of the appraisal report. If the larger parcel exhibits unique, or complicating characteristics, the appraiser should provide a summary of the characteristics and how they will affect the scope of work. The Subject Property Information sections of the appraisal report will then expand on the summarized information. If the larger parcel exhibits no unique or complicating characteristics it is un-necessary to discuss the subject property characteristics here. In these situations, the appraiser is recommended to refer to the Subject Property Information sections of the appraisal report.

- **Rights Being Appraised:** A direct statement of the property rights being appraised will be adequate for this section. Unless informed otherwise, the interests being appraised are Fee Simple Interest (Fee Simple Estate).
- **Definition of Fee Simple Estate:** The Appraisal Institutes’ Dictionary of Real Estate Appraisal 6th Edition defines fee simple estate as *“Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”*

G. Assignment Conditions:

- **Definition of Assignment Conditions:** USPAP defines assignment conditions as – *“Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the scope of work.”*
Comment: Laws include constitutions, legislative and court-made law, administrative rules, and ordinances. Regulations include rules or orders, having legal force, issued by an administrative agency.”

Assignment conditions include laws, regulations, guidelines established by the client, or other conditions that could affect the scope of work for an appraisal assignment. General assumptions and limiting conditions are discussed in Section 7 – Statement of Assumptions and Limiting Conditions above. The assignment conditions for each parcel covered by the appraisal assignment (jurisdictional exceptions, extraordinary assumptions, hypothetical conditions and Special Appraisal Instructions) will be identified cooperatively by the client and the appraiser as part of the Appraisal Scope of Work Agreement. When dealing with assignment conditions, the appraiser must be aware that USPAP requires that: *“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.”* If the appraiser intends to utilize a jurisdictional exception, hypothetical condition, or extraordinary assumption (assignment conditions) that is not included in the scope of work agreement, then they must obtain the concurrence of the assigned review appraiser. The appraiser must communicate their intent to utilize an assignment condition, not contained in the appraisal scope of work agreement, to the review appraiser via an email generated in READS. The reviewer’s concurrence or reservations about the use of any additional assignment conditions must also be communicated to the appraiser by an email generated in READS.

- **Special Appraisal Instructions:** Special Appraisal Instructions identify anticipated issues associated with individual parcels that would complicate the appraisal analysis process. Examples of possible Special Appraisal Instructions include the identification of: parcels that are known to be contaminated; interim use properties; properties that will require coordination with a relocation advisor or FF&E Appraiser, and properties with larger parcel complications.
- Jurisdictional Exceptions:
Standard Definition: The Uniform Standards of Professional Appraisal Practice (USPAP) defines a Jurisdictional Exception as *“An appraisal assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.”*

If an assignment condition includes a Jurisdictional Exception the appraiser must adhere to the Jurisdictional Exception Rule as outlined in USPAP. **There are no standard jurisdictional exceptions that apply to appraisals prepared for WisDOT.**

- Hypothetical Conditions:
Standard Definition: The Uniform Standards of Professional Appraisal Practice (USPAP) defines a Hypothetical Condition as *“A condition, directly related to a*

specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics, of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in the analysis.”

The following Hypothetical Conditions are typical for appraisals prepared for eminent domain, and are presented in a format that is recommended as a template:

- A hypothetical condition, that the proposed public improvements, the acquisition for which this appraisal analysis has been performed, do not exist, and have not been proposed, has been adopted for the before-condition analysis of the subject property. This hypothetical condition is based upon a federal requirement established by 49 CFR, Part 24.103(b) - “Influences of the Project on Just Compensation, which states that *“The appraiser shall disregard any decrease or increase in the fair market value of the real property caused by the project for which the property is to be acquired, or by the likelihood that the property would be acquired for the project, other than that due to physical deterioration within the reasonable control of the owner.”*

This hypothetical condition is further based upon Wisconsin Statute 32.09(5)(b) which states that *“Any increase or decrease in the fair market value of real property prior to the date of evaluation caused by the public improvement for which such property is acquired, or by the likelihood that the property would be acquired for such improvement, other than that due to physical deterioration within the reasonable control of the owner, may not be taken into account in determining the just compensation for the property.”*

Note: This hypothetical condition applies to all acquisitions completed under eminent domain.

- A hypothetical condition, that the construction of the proposed public improvements, the acquisition for which this appraisal analysis has been performed, are completed as of the effective date of this appraisal, has been adopted for the after-condition analysis of the subject property. This hypothetical condition is based upon Wisconsin Statute Sec. 32.09(6) which states that *“In the case of a partial taking of property other than an easement, the compensation to be paid by the condemnor shall be the greater of either the fair market value of the property taken as of the date of evaluation or the sum determined by deducting from the fair market value of the whole property immediately before the date of evaluation, **the fair market value of the remainder immediately after the date of evaluation, assuming the completion of the public improvement** and giving effect, without allowance of offset for general benefits, and without restriction because of enumeration but without duplication, to the following items of loss or damage to the property where shown to exist:”*

Note: This hypothetical condition applies to only partial acquisitions under eminent domain.

- Extraordinary Assumptions:
Standard Definition: The Uniform Standards of Professional Appraisal Practice (USPAP) defines an Extraordinary Assumption as *“an assignment-specific assumption as of the effective date regarding uncertain information used in an*

analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in the analysis."

There are no standard extraordinary assumptions that apply to appraisals prepared for WisDOT. The appraiser may choose to apply an extraordinary assumption to the expiration date of the TLE, because a specific expiration date is not formally indicated in a document, or on a plat. The appraiser may choose to apply an extraordinary assumption to a third-party estimate utilized in the appraisal analysis. Given the variety of possible uses for extraordinary assumptions, and, given the fact that no option will require the citation of a specific federal or state requirement, no templated report language is deemed appropriate here.

H. Description of Scope of Work:

As stated in Item C (Intended Use) above, the results of the assigned appraisal will be relied upon to determine just compensation for an acquisition of real estate, under the threat of eminent domain. In this process, the intended user of the appraisal report (WisDOT) has a responsibility to ensure that the findings of the appraisal analysis are credible. The findings can only be credible if the appraisal scope of work used is valid. To this end, WisDOT will participate in determining the scope of work for a specific parcel, as directed by 49 CFR Part 24.103(a)(1) (see Subsection 2.0.1.3 of the REPM). WisDOT and the assigned appraiser will cooperatively develop a Scope of Work that will be documented in the Appraisal Scope of Work Agreement, describing the appraisal work to be done. (The development and intent of the Appraisal Scope of Work Agreement is discussed in Subsection 2.1.2.3 – Scope of Work Agreement Phase) This agreement, which will be signed by the appraiser and the agency (represented by the Regional Real Estate Project Manager and the Review Appraiser), will define the responsibilities of both the appraiser and the agency and outline the general parameters of the appraisal assignment. The scope of work agreement will address any unique, unusual and variable appraisal performance requirements for each appraisal assignment, if any. Either the appraiser or the agency may recommend modifications to the initial scope of work agreement, but both parties must approve changes.

The Description of Scope of Work section of the appraisal report, which must explain the necessary research that was completed, and the process used to arrive at a credible appraisal analysis, should be consistent with the Appraisal Scope of Work Agreement. In addition to explaining the steps that were taken in their appraisal analysis, the appraiser must be prepared to support the decision to exclude any investigation, information, method or technique that would appear relevant to the client, another intended user or the appraiser's peers.

The presentation of the description of scope of work, in the appraisal report, should be as extensive or concise as the appraisal problem demands. A concise presentation of the scope of work, as used for an uncomplicated, or short format appraisal can be narrative and very general in nature. The description of scope of work for a more complicated appraisal problem would identify the steps taken to address issues of complexity in the appraisal problem, in addition to the normal steps that are typically taken for less complicated appraisal problems. Complex scope of work descriptions would be better addressed with a combination of a narrative description of the areas of

complexity and a bullet point list of steps taken to complete the appraisal analysis. Inexperienced appraisers should discuss the content of the description of scope of work with their mentor, or the review appraiser assigned to the specific parcel. **The appraiser must remember that the scope of work is determined by the appraisal problem, and not the appraisal report format.**

I. Definitions:

The appraiser is advised to place definitions, used in the appraisal report, within the sections of the report to which the definitions apply. If the appraiser chooses to include industry standard, or non-specific definitions in the appraisal report, they should be placed here. The terms should have application to the appraisal analysis being reported. The use of a glossary of real estate terms, or specialized appraisal terms that do not apply to the appraisal analysis being reported could be misleading to the uneducated reader and is discouraged.

9. PROJECT INFORMATION

The appraiser should use this section of the appraisal report to describe the construction project for which the property being appraised is needed. The description should include the need for the project, the anticipated physical changes to the roadway corridor (changes to the roadway, the boulevard and other improvements within the right of way), the limits of the project, the anticipated impacts of the project on the subject's neighborhood and the anticipated construction timeline. The description should be adequate to facilitate the analysis of the project impacts on the subject property in the after-condition. The project information section should consist of the project description and construction project timeline prepared by the project engineer. The appraiser should refrain from modifying the information provided by the project engineer. Any additions or subtractions made to the original description provided to the appraiser should be confined to those issues associated with project impacts to the subject's neighborhood or the subject itself.

10. MARKET AREA AND NEIGHBORHOOD DESCRIPTION

The appraiser should use this section of the appraisal report to describe the physical and market characteristics of the subject's market area and neighborhood. This description should include identifying the predominant property types within the neighborhood; the nature of the supply and demand for specific types of property within the neighborhood, and a description of what makes the subject's neighborhood unique. The description must also include the approximate boundaries of the subject's neighborhood. The description of the neighborhood boundaries is essential to identifying the initial area of investigation when researching comparable market data. Appraisal practice requires that the first area of research when valuing a parcel is the subject's own neighborhood. If the boundaries of the neighborhood are not defined, then the appraiser cannot specifically state whether there was adequate sales data within the subject's neighborhood. A well-defined neighborhood is essential for supporting the appraiser's market research. The identification of the physical characteristics of the subject's neighborhood is also necessary when comparing the location of the subject property to that of comparable properties in other neighborhoods.

When completing the description of the subject's market area, the appraiser must keep in mind the needs of the client and user of the appraisal report. In the case of appraisals prepared for WisDOT, general market data associated with the nation and the State of Wisconsin will be of little use to the intended user and will likely not impact the appraiser's market analysis. Unless the appraiser has market information about the nation and Wisconsin that directly impacts the analysis of the subject property, national and statewide market information should not be included in the appraisal report. The presentation of demographic and economic data should only include information that directly affects the subject property, and the appraiser's conclusions as to market trends. The effects of the included market data must be specifically identified and discussed. The inclusion of raw economic or demographic data, that is not directly referred to in the market analysis of the subject property, leaves it to the reader's judgement to determine if the data presented is meaningful or appropriate. As a result, the inclusion of data not tied to specific appraisal analysis could be misleading. If boiler-plated economic or demographic data is not directly referred to in the appraisal analysis presented in the report, it must not be included in the appraisal report.

11. SUBJECT PROPERTY INFORMATION – BEFORE CONDITION

The appraisal report must adequately describe the subject property as it exists in the before condition. The exact form that the description of the subject property in the before condition takes is up to the appraiser. Depending on the complexity of the subject property, and, or the appraisal problem, the appraiser can choose to utilize a narrative format, or bullet points, or a combination of both. Whatever format the appraiser uses, the following information must be addressed in this section of the appraisal report:

Site Description - Items that may be appropriate to report under the site description are

- The shape of the site;
- The topography of the site;
- The nature of the site's drainage characteristics and any potential wetlands, including, for Agricultural sites, the existence and description of field drainage ditches and drain tile;
- The amount of highway frontage and whether a site is located at a corner or mid-block;
- The elevation difference between the site and the roadway along the highway frontage;
- For Commercial sites, the visibility of the site from the roadway, and traffic volumes on the adjacent roadways;
- The location and quality of the site's highway access;
- For Commercial, Industrial, or Agricultural properties the appraiser should describe any internal circulation issues;
- For Agricultural properties, an acreage breakdown that includes road Right of Way, cropland, pasture, woods, lowland and building sites (farmstead);
- The existence of potential sand, gravel or mineral deposits, and the existence of marketable timber within the acquisition area.
- The existence and location of easements of record and known easements that are unrecorded. Not all easements must be identified; however, any easements that fall within the proposed acquisition areas or have the potential to impact the value (before or after) of the subject property or its remainder must be identified, and their locations shown on available mapping or aerial photographs.
- The identification of areas of the subject property that fall within a floodplain.
- The location of known archeological sites within the subject property.

- The location of any known or potential contamination and a brief description of what is known about the contamination identified.

Site Improvements - This would include other improvements that would lend or detract from the value of the property. Be sure to cover all site improvements that lie within the acquisition area and comment on their construction and condition. Examples of site improvements would be, but are not limited to:

- Concrete and blacktop driveways;
- Fencing (location, type, age and condition);
- Landscaping (general description and quality);
- On premise signs;
- Planters;
- Sidewalks;
- Underground wiring;
- Additional wells not covered by the description of the building improvements (location, depth and type).

Building Improvements – Identify all major building structures on the larger parcel. This should include the physical dimensions, conditions and other physical 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 will be experiencing significant severance damages, or if they will experience minor or no impact resulting from the proposed acquisition.

- If a building is being valued for acquisition, or because it is anticipated that it will experience significant severance damages, a complete description is needed. This description must include:
 - Building Dimensions (interior and exterior)
 - Interior layout of rooms (A Building Sketch can be used to relate this information)
 - Present use and occupancy
 - Building materials (Type of materials and quality of construction)
 - Condition of the described improvements (Note any deferred maintenance or recent remodeling)
 - Chronological and effective age(s) of buildings
 - The existence of a private well and septic or city sewer and water
 - Any distinguishing physical characteristics that may be unique to the building(s) being described
 - The reporting of existing commercial fixtures or personal property in a manner which is consistent with Subsection 2.4.4 (Valuation of Commercial Fixtures)
- When buildings fall outside the acquisition area, but may be impacted by the proposed acquisition, the detail of the building description must be adequate to support the impact analysis. If the appraiser chooses to utilize the assessed value to establish the contributory value of the buildings (See Item 15b. Sales Comparison Approach - Value of Larger Parcel as Improved – Before Acquisition) the appraiser must still provide the reader enough building information to understand the physical nature of the subject's building improvements.
- If the appraiser does not anticipate any impacts to the building improvements he or she must indicate that the site is improved and the **type of buildings** that exist.

- The distance between the building and the R/W line (building setback) must be given unless the appraiser determines that there is no potential that the proposed acquisitions will cause sufficient setback changes to result in value impacts to the building improvements.
- The appraiser must indicate whether the setback in the before-condition meets minimum zoning requirements.

These items can be tabulated, presented in a bulleted format, or as a narrative description. Often a combination of tabulating or bulleting the basics together with a short narrative of items not conducive to listing (remodeling, extent of insulation or weatherization, special features) will be most appropriate.

Legal description - The legal description must contain sufficient information to be able to locate the larger parcel that is the subject of the appraisal report. This section of the appraisal report can reference copies of the deeds for the most recent transaction(s) for the identified larger parcel, which must be provided in the appraisal report (possibly within the addendum). Mapping and aerial photographs should be used to supplement complicated legal descriptions, or legal descriptions that are incomplete or difficult to follow. The combined effect of the information provided must be adequate to locate and analyze the subject property (larger parcel).

5 Year Sales History - If the current owner has owned the subject property for more than five years, the appraiser must identify the most recent transaction. If the current owner has owned the subject property for less than 5 years, the appraiser must identify the most recent transaction and any additional transactions that have taken place within the last 5 years. This information should be available from the parcel's title information. The appraiser must indicate whether each transfer was arms-length and identify any unique terms of the transaction(s). Any existing listings must also be identified in this section.

Assessment and taxes – The assessment information must include the tax identification number(s) for the larger parcel. The appraisal report must include the current equalized assessed value for each of the tax parcels contained within the larger parcel, including the separate assessed values for the land, the improvements and the total of both. The tax assessment ratio should also be reported. An indicated before value of the subject's improvements based on the assessed value should be reported here if the improvements are not being valued (appraised) as part of the appraisal analysis, and the appraiser will be relying on the assessed value of the buildings for a before value.

Zoning and Other Land Use Regulations – The appraiser must identify and describe the zoning designation(s) that covers the larger parcel that is the subject of the appraisal analysis. The description should include:

- Identification of the legal uses within the zoning designation;
- Identification of conditional and permitted uses within the zoning designation;
- Minimum, or maximum, site and building standards within the zoning designation
 - Minimum site size
 - Minimum site depth
 - Minimum site frontage
 - Back yard and side yard setbacks for primary buildings
 - Front yard setback for primary buildings

- Maximum site coverage
- Parking requirements
- Any other zoning standards that may affect the larger parcel in either the before or after conditions.

The zoning information included in the appraisal report must be tied to the highest and best use, and, or larger parcel analyses. The appraiser should avoid inserting raw zoning ordinance data that is not tied to his or her analysis.

If the appraiser determines, through his or her research, that there is a potential for a zoning change that could potentially impact the market value of the subject property this potential must be discussed in this section of the appraisal report. The appraiser must indicate not only the existing zoning information, but also the information for the potential zoning change. The appraiser must also discuss: why they believe the zoning change should be considered; what evidence for the potential for the zoning change exists; and how long it will likely take for the zoning change to go into effect. Any potential zoning changes should be discussed with the assigned review appraiser before the appraiser proceeds with the analysis, to ensure appropriate reporting of the change, and to avoid possible conflicts during the review process.

This section should also include any protective covenants or land use restrictions included in the subdivision of which the subject property is a part.

12. HIGHEST AND BEST USE – BEFORE-CONDITION

The Uniform Appraisal Standards for Federal Land Acquisition (Yellow Book) indicates that *“The appraiser’s determination of highest and best use is one of the most important elements of the entire appraisal process. Therefore, appraisers must apply their skill with great care and provide market support for the highest and best use conclusion(s) developed in the appraisal.”*

Standard Definition: The standard definition of Highest and Best Use for appraisals prepared for WisDOT is from The Appraisal Institute’s Dictionary of Real Estate Appraisal 6th Edition – *“The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity.”*

The Appraisal Institute’s Appraisal of Real Estate 14th Edition states that *“An understanding of market behavior developed through market analysis is essential to the study of highest and best use, which is an economic concept.....market forces create the use, and the use affects market value. The interaction of market forces, therefore, is a key to identifying the highest and best use. The highest and best use is shaped by the competitive forces within the market where the property is located, and it provides the support for a thorough investigation of the competitive position of the property in the minds of market participants”* The market forces, key to identifying the highest and best use of a parcel are identified through the application of the four criteria identified in the above definition. The “four criteria are consistent with the “Four Tests” which are identified in the highest and best use discussion from the Yellow Book.

The highest and best use analysis presented in the appraisal report should mirror the analysis conducted by the appraiser, during the development phase of the appraisal process. The

subject property's highest and best use should start by analyzing the subject's site as if vacant and available for development. The analysis and presentation should follow the following steps:

1. **Legally Permissible:** Determine the legally permissible uses for the subject's site as if vacant. This determination will be based upon the legal, permitted and conditional uses of the subject site, reported in the existing zoning and land use regulations information provided in the Section 11. Subject Property Information – Before Condition of the appraisal report. If the zoning information provided in the subject property information includes the possibility of a zoning change, then this change should be outlined here along with the legal uses under the proposed zoning change. The legally permissible uses for the subject's site as if vacant must be consistent with the information provided in the zoning and land use regulations section of the appraisal report. A discussion of what it means for a use to be legally permissible along with a description of the appraiser's analysis of legally permissible uses should be included here. The legally permissible uses should be listed. If there are too many potential legally permissible uses to list, the appraiser should identify the key uses at this point.
2. **Physically Possible:** Determine which of the legally permissible uses listed in Step 1 above, are physically possible on the subject's site as if vacant. This determination will be supported by the information contained in the site description, and the zoning and other land use regulations (minimum and maximum site standards) sections of the Subject Property Information – Before Condition. The physical limitations, or supportive physical characteristics of the subject's site as if vacant should be discussed here. The physically possible uses, which were also listed as legally permissible, should be listed. The appraiser should not include any physically possible uses that were not considered to be legally permissible.
3. **Financially Feasible:** Determine which of the physically possible and legally permissible uses listed in Step 2 above, are financially feasible. Financial feasibility is based upon elements of supply and demand within the subject property's area, or market. The basis of what uses are financially feasible is established in the Area and Neighborhood Description section of the appraisal report together with the sales data collected for the analysis and appraisal of the subject property. The analysis contained within the description of the subject's neighborhood/market, if completed correctly, will address the property uses that would be supported within the subject's market, as well as property use trends, the supply of competitive alternative properties in the market and the level of demand for the available property. The sales data collected will provide support for the appraiser's findings. While all of the sales data analyzed does not need to be included within the appraisal report (apart from the sales used to value the subject property) the market conditions supported by the sales data should be described. The descriptions and analyses provided above, as it pertains to the highest and best use of the subject property, should be summarized here. The financially feasible uses, which are also listed as legally permissible and physically possible, should be listed. The appraiser should not include any financially feasible uses that were not considered to be legally permissible and physically possible.
4. **Maximally Productive:** The appraiser must determine which of the property uses identified as legally permissible **and** physically possible **and** financially feasible, will produce the highest value for the subject property. This determination must be based upon available sales data, and not on speculation on the part of the appraiser. The appraiser should provide a brief discussion of the analysis of the available sales data here. Based upon this discussion the appraiser will identify a single use as the maximally productive use. This use will be the highest and best use of the subject property as if vacant and available for development.

Once the highest and best use of the subject property as if vacant and available for development has been established, the appraiser must determine the highest and best use of the subject property as it is currently improved. The highest and best use analysis of the subject property as it is currently improved should mirror the analysis conducted by the appraiser for the property as if vacant (Steps 1 thru 4 above). The legally permissible uses of the subject property as improved should be the same as for the property as vacant; however, once the appraiser begins to analyze the uses that are physically possible and financially feasible, the existence of the existing building(s), and the physical characteristics of the structure(s) will reduce the uses that would be supported by the subject property. The maximally productive use of the subject property as currently improved will be the highest and best use of the subject property as improved.

The estimated value of the maximally productive use of the subject property as if vacant and available for development must be compared to the estimated value of the maximally productive use of the subject property as improved to determine if the Highest and Best Use of the Subject Property is as improved, or as vacant. Typically, the highest and best use of the subject property as improved and as if vacant and available for development will be the same. In this event, the reporting requirements for the highest and best use of the subject property as improved can be relaxed and the analysis presentation, which would be similar to that presented for the site as vacant, can reference the analysis for the subject as if vacant instead of reproducing it. If, however, the highest and best uses of the subject property as improved and vacant are different, then the appraiser will have to deal with issues associated with Consistent Use and Interim Use. These issues are addressed in Subsection 2.4.7 (Concept of Consistent Use) and Subsection 2.4.7.1 (Valuing Interim Use Properties).

13. LARGER PARCEL ANALYSIS

The issue of the Larger Parcel is addressed in Subsection 2.4.1 (Larger Parcel).

Standard Definition: The Dictionary of Real Estate Appraisal 6th Edition, published by the Appraisal Institute, defines the larger parcel as: *“in governmental land acquisitions, the tract or tracts of land that are under the beneficial control of a single individual or entity and have the same, or an integrated, highest and best use. Elements for consideration by the appraiser in making a determination in this regard are 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. In most states, unity of ownership, contiguity, and unity of use are the three conditions that establish the larger parcel for consideration of severance damages. In federal and some state cases, however, contiguity is sometimes subordinate to unitary use.”*

In most appraisal assignments, it will be important for the appraiser to include all of the owner's potential parcels in the larger parcel in order to establish the tracts that may be damaged or benefited by the proposed acquisition. However, if a property owner owns multiple individual tracts of land that could potentially qualify as a larger parcel, if combined, it is not a requirement that they be combined. The appraiser must complete a highest and best use analysis on each potential larger parcel configuration (variable combinations or individual tracts), and the appraiser must look at which alternative is the most advantageous use of the tracts in question. The appraiser need not report the analysis and determined highest and best use for every

potential combination; however, they must provide adequate information in their appraisal report to show that all of the options were considered, and why the option reported was the appropriate one.

14. APPROACHES TO VALUE

This section of the appraisal report should contain the definitions for all three approaches to value, regardless of which approaches are utilized in the appraisal report:

- The Sales Comparison Approach
- The Cost Approach
- The Income Capitalization Approach

Standard Definition – Sales Comparison Approach: The Dictionary of Real Estate Appraisal, 6th Edition, published by the Appraisal Institute defines the sales comparison approach as *“The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-driven elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available”*

Standard Definition – Cost Approach: The Dictionary of Real Estate Appraisal, 6th Edition, published by the Appraisal Institute defines the cost approach as *“A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised.”*

Standard Definition – Income Capitalization Approach: The Dictionary of Real Estate Appraisal, 6th Edition, published by the Appraisal Institute defines the income capitalization approach as *“Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.”*

The appraisal report must contain the standard definitions for all three of the approaches to value, and a synopsis of the appraiser’s analysis to determine the applicability of each of the individual approaches to the valuation of the subject property. The full analysis of the applicability of the individual approaches to value will be contained in their respective sections of the appraisal report. A closing statement indicating whether a specific approach will be utilized in the appraisal report, or not must also be included here.

15.SALES COMPARISON APPROACH – BEFORE CONDITION

Based upon Subsection 2.1.15 (Appraiser and Review Appraiser Qualifications), it is assumed that the appraiser utilizing the Sales Comparison Approach is competent to do so. Therefore, this section of Subsection 2.3.5 (Appraisal Reporting Standards – Content of the Appraisal

Report) will concern itself with minimum standards for reporting the Sales Comparison Approach – Before Condition for an appraisal prepared for WisDOT.

Discussion: The Uniform Appraisal Standards for Federal Land Acquisitions states, in part that *“The sales comparison approach is a systematic procedure in which appraisers study the market for sales of properties with the same highest and best use as the subject property that are as close in proximity and time as possible. Each sale is verified with parties to the transaction to ensure that information is accurate and the sale is a market transaction. Each sale is adjusted for elements that are different from the subject property and the resulting array of sales data is reconciled to a final opinion of market value. Analysis of sales shall be made using a market derived unit of comparison such as price per acre, price per square foot, or animal unit month.”*

The Sales Comparison Approach – Before Condition will typically have three sections to it. The introduction, the valuation of the subject site and the valuation of the subject as improved. The introductory portion of the Sales Comparison Approach – Before Condition, should include:

- Mapping that indicates the location of the comparable sales (land sales and improved sales) in relation to the subject property.
- An identification of the Transactional Elements of Comparison (Market Conditions) that were considered. Examples of Transactional Elements of Comparison include:
 - Real Property Rights Conveyed
 - Financing Terms
 - Conditions of Sale
 - Expenditures made immediately after purchase
 - Market conditions (Time adjustment)

Explain the elements of comparison to facilitate the interpretation of the analysis/adjustment grid, but do not identify the amounts of the adjustments made.
- An identification of the Physical Elements of Comparison (Direct Adjustments) that were considered. Examples of Physical Elements of Comparison include:
 - Location
 - Access to Utilities
 - Size (site or building)
 - Condition
 - Physical Characteristics
 - Topography
 - Wooded or Not Wooded
 - Number of Bedrooms
 - Number of Bathrooms
 - Finished Square Footage
 - Access

The items identified as Physical Elements of Comparison should be based upon key issues of comparison for properties that are similar to the subject and should highlight areas of similarity as well as difference. The items included will address both the subject site as if vacant, and the subject property as improved (if the subject property as improved is appraised).
- An indication of whether the appraiser will be valuing only the site as if vacant (and why), only the site as improved (and why), or both the site as vacant and the site as improved. The appraiser should indicate here if they will be utilizing the assessed value of the subject’s improvements to establish the estimated market value of the subject property as improved (and why).

A. Land Value – Before Condition:

The Land Value – Before Acquisition must identify the highest and best use that is being utilized for the subject's site as if vacant. This highest and best use must be consistent with the highest and best use identified in Highest and Best Use – Before Condition (Item 12) section of the appraisal report. The Land Value – Before Condition should also include:

- The appraiser must identify the unit of value that will be used to compare the subject property to the comparable sales. Typical units of value would include:
 - Total Sales Price
 - Price per Square Foot
 - Price per Acre
 - Price per Front Foot
- A clarification of any unique issues encountered in the analysis of the subject's site. This would include any difficulties that were encountered in identifying comparable sales data; the possible use of a qualitative analysis (Knowledge of this type of analysis is assumed. If the appraiser is unfamiliar with what a qualitative analysis is they should confer with the assigned review appraiser.) for all or a portion of the adjustment grid or any other appraisal complexities that the appraiser chooses to discuss.
- The Analysis/Adjustment Grid for the Land Value. The format of the "grid" is not part of these reporting standards. The presentation and content of the analysis/adjustment grid is the responsibility of the appraiser. If an inexperienced appraiser is unsure about the content and appearance of the analysis/adjustment grid, they should confer with their mentor or the assigned review appraiser. The elements of comparison within the analysis/adjustment grid, must be consistent with the items identified in the introduction to the Sales Comparison Approach – Before Condition.
- The identification and discussion of the adjustments made within the analysis/adjustment grid. The preferred method of documenting the adjustments is to address the item of comparison (sales date, location, size, access to utilities, etc.) and discuss the differences between the subject property and the comparable sales (inferior or superior), and the amount of the adjustments. The adjustments should be based upon market evidence (example: market derived matched pair analysis). The findings of the market evidence should be cited in the appraisal report, with the actual matched pairs data retained in the appraisal file. In the absence of citable comparable market data, the appraiser must provide an adequate discussion of how they arrived at the proposed adjustments, based upon his or her analysis of market conditions.
- A synopsis of the results of the analysis contained in the analysis/adjustment grid, which addresses the range in unit values identified (range before adjustments and range after adjustments), and a determination of the estimated unit value of the subject property.
- An application of the estimated unit value of the subject property to the subject site (site size, frontage or sales price per site) to determine the estimated market value of the subject's site.
- The appraisal report must clearly state that the estimated market value of the subject's site in the before condition, as calculated using the Sales Comparison Approach is \$-----.
- If the appraiser is utilizing the assessed value of the subject's improvements in their appraisal, they should add a section to the estimated market value of the

subject's site to identify the estimated value of the larger parcel as improved, based upon the combination of the estimated (appraised) market value of the subject's site and the assessed value of the subject's improvements. The appraiser must clearly state that the value used for the subject's improvements is based upon their assessed value.

B. Value of the Larger Parcel as Improved – Before Condition:

The Value of the Larger Parcel as Improved – Before Acquisition must identify the highest and best use that is being utilized for the subject property as improved. This highest and best use must be consistent with the highest and best use identified in Highest and Best Use – Before Condition (Item 12) section of the appraisal report, and the Land Value – Before Condition above. The Value of the Larger Parcel as Improved - Before Condition will not be required if the subject property is vacant, or if the subject's improvements will be valued using their assessed values. When the larger parcel is being valued as improved the Value of the Larger Parcel as Improved – Before Condition should contain:

- The appraiser must identify the unit of value that will be used to compare the subject property to the comparable sales. Typical units of value would include:
 - Total Sales Price
 - Price per Square Foot of Gross Living Area
 - Price per Cubic Foot
 - Price per Square Foot of Gross Building Area
 - Price per Animal Unit
- A clarification of any unique issues encountered in the analysis of the larger parcel as improved. This would include any difficulties that were encountered in identifying comparable sales data; the possible use of a qualitative analysis (Knowledge of this type of analysis is assumed. If the appraiser is unfamiliar with what a qualitative analysis is they should confer with the assigned review appraiser.) for all or a portion of the adjustment grid or any other appraisal complexities that the appraiser chooses to discuss.
- The reporting standards for the Analysis/Adjustment Grid, the discussion and support for adjustments utilized in the analysis/adjustment grid, the synopsis of the results of the analysis and the presentation of the estimated market value of the larger parcel as improved will be the same as for the subject site as if vacant (Land Value).
- The appraisal report must clearly state that the estimated market value of the subject property as improved in the before condition, as calculated using the Sales Comparison Approach is \$-----.

16.COST APPROACH – BEFORE CONDITION

Based upon Subsection 2.1.15 (Appraiser and Review Appraiser Qualifications), it is assumed that the appraiser utilizing the Cost Approach is competent to do so. Therefore, this section of Subsection 2.3.5 (Appraisal Reporting Standards – Content of the Appraisal Report) will concern itself with minimum standards for reporting the Cost Approach – Before Condition for an appraisal prepared for WisDOT.

Discussion: The Uniform Appraisal Standards for Federal Land Acquisitions states, in part that *“In the cost approach, the market value of the vacant land is added to the depreciated*

reproduction or replacement cost (contribution) of the improvements to arrive at an indication of the value of the property. The value of the land, vacant and subject to improvement, is generally developed by the sales comparison approach – land value (see Section 15A. above). The estimate of the reproduction or replacement cost of the improvements is based on current local market cost of labor and materials for construction of improvements. All forms of depreciation are deducted from the cost new estimate, as discussed below. This approach to value is most useful in developing the value of a property in which the improvements are new (and actual costs are known) and there is no evidence of depreciation.

In the case of special-purpose properties that are not generally bought and sold, it is sometimes necessary to resort to reproduction cost new less depreciation for want of any more reliable method of determining market value. If it is necessary to resort to the cost approach, all forms of depreciation—physical deterioration, functional obsolescence, and external (or economic) obsolescence—must be accurately reflected and deducted from the reproduction or replacement cost before the value of the land and the contributory value of the improvements are added together to develop an indication of market value by the cost approach.”

The analysis required to determine the applicability of the Cost Approach in the valuation of the subject property must be reported here.

The cost approach is typically only utilized for improved properties that have new buildings on them. The cost approach may also be used for specialized single use properties where comparable data is extremely difficult to identify, or for which no comparable data exists. If the appraiser chooses to utilize the cost approach he or she must explain the reason for its use.

The appraiser does not need to perform a separate analysis of the subject property as if vacant to determine the land value used in the cost approach. He or she may cite the value findings of the Land Value – Before Acquisition section of the Sales Comparison Approach – Before condition. The description of the subject’s improvements should cite the descriptive information provided in the Building Improvements and the Site Improvements portions of the Subject Property Information – Before Condition (Item 11 above) section of the appraisal report (building improvements, site improvements and landscaping). It is not necessary, and in fact is not desirable, to restate the description of the subject’s improvements in this section. If the description contained in Item 11 is not adequate to support a cost analysis, the appraiser must expand the descriptions in Item 11 above, rather than provide additional descriptive elements at this point. The appraiser must refrain from duplicating descriptive information for the improvements being valued. The appraiser should, however, discuss the issue of depreciation experienced by the subject’s improvements at this point in the appraisal report, and what method was used to estimate the amounts of the various elements of depreciation (physical deterioration, functional obsolescence, external obsolescence) that will be utilized in the cost analysis. The appraiser must provide market support for the depreciation identified. In the absence of direct market evidence identifying specific elements of depreciation, the appraiser must provide a discussion of the depreciation utilized that is adequate to support his or her findings.

If the appraiser utilizes a cost service to perform the cost analysis of the subject’s improvements, a copy of the cost estimating form (calculations), or computer report must be included at this point in the appraisal report. The appraiser must also identify the cost service utilized. If the appraiser utilizes a source other than a recognized cost service to estimate the cost of the subject’s improvements, the source must be cited, and supporting data from the cited source must be provided in the appraisal report.

The appraisal report must clearly state that the estimated market value of the subject property in the before condition, as calculated using the Cost Approach is \$-----.

Estimated Contributory Value of Affected Site Improvements:

If the appraisal problem involves a partial acquisition from a larger parcel that includes site improvements (minor buildings landscaping or miscellaneous hardscaping), the appraiser should add a section to the Cost Approach – Before Condition titled “Estimated Contributory Value of the Affected Site Improvements”. If the appraiser is utilizing the assessed value of the subject’s improvements in their appraisal analysis and is relying on a cost analysis to estimate the depreciated replacement cost (contributory value) of the site improvements acquired, then he or she should replace the Cost Approach – Before Condition with an Alternative Item 16 Titled – ESTIMATED CONTRIBUTORY VALUE OF THE AFFECTED SITE IMPROVEMENTS. The Estimated Contributory Value of the Affected Site Improvements will address the specific value issues associated with the affected site improvements, so they do not get lost in the analysis of the entire larger parcel. This information will then be utilized in the Before and After Analysis Vs. Value of the Part Taken Conclusions section of the appraisal report.

The Estimated Contributory Value of the Affected Site Improvements section of the appraisal report will provide a single location for the cost analysis utilized to identify the contributory value of the affected site improvements. The contributory value of the landscaping should also be addressed here, even if the contributory value of the landscaping is based upon a percentage of the total property value (calculated using the assessed value of the subject’s buildings). The calculated values of the individual items covered in this section must be included and itemized at the end of the section.

If the appraiser addresses the Estimated Contributory Value of the Site Improvements as a subsection of the Cost Approach – Before Condition, then the appraiser will cite the Cost Approach as having been utilized in the appraisal analysis. However, if the appraiser utilizes an Alternate Section 16 to estimate the contributory value of the site improvements, then the cost approach should not be identified as an approach to value utilized in the appraisal report.

17. INCOME CAPITALIZATION APPROACH – BEFORE CONDITION

Based upon Subsection 2.1.15 (Appraiser and Review Appraiser Qualifications), it is assumed that the appraiser utilizing the Income Capitalization Approach is competent to do so. Therefore, this section of Subsection 2.3.5 (Appraisal Reporting Standards – Content of the Appraisal Report) will concern itself with minimum standards for reporting the Income Capitalization Approach – Before Condition for an appraisal prepared for WisDOT.

Discussion: The Uniform Appraisal Standards for Federal Land Acquisitions states, in part that *“In appraising property that generates income, it may be appropriate to develop an opinion of market value using the income capitalization approach. This approach should generally be used in addition to the sales comparison approach and can serve as additional support for the final opinion of market value. In developing the income capitalization approach, it is critical that the appraiser have market support for every component such as income, expenses, capitalization, and/or discount rates.”*

Wisconsin Statute 32.09(1m)(b) states that “As a basis for determining value, a commission in condemnation or a court shall consider, if provided by the condemnor or condemnee, an appraisal based on the income approach and an appraisal based on the cost approach.” This statute has modified a historical legal bias against the use of the income (capitalization) approach in the eminent domain appraisal process; however, it does not dictate that the income approach **must** be utilized in the process of appraising real estate for acquisition under the threat of eminent domain. Therefore, the appraiser must determine whether the income capitalization approach to value is relevant to the appraisal problem being analyzed.

The following elements of any appraisal problem under consideration, must be addressed when determining if the income capitalization approach is appropriate for a parcel being analyzed:

Question - Is the subject property currently an income producing property (generating income from the rental of all or a portion of the property), or does the highest and best use of the property indicate a potential for income production?

- **If the answer is No:** The income capitalization approach is not applicable to the property being analyzed and should not be included in the appraisal report.
- **If the answer is Yes** then the income capitalization approach may be applicable to the appraisal problem under consideration, depending on the nature of the proposed acquisition.

Question - Is the acquisition a total taking of income producing property, or property with a highest and best use that indicates a potential for income production?

- **If the answer is Yes:** The Income Capitalization Approach is applicable to the appraisal analysis at hand.
- **If the answer is No:** The determination of whether the income capitalization approach is applicable or not will depend on the impacts of the assumed partial acquisition.

Question – If the acquisition is a partial taking of an income producing property, or property with a highest and best use that indicates a potential for income production, what are the anticipated impacts of the partial acquisition?

- If the partial acquisition will result in the loss of the subject property’s ability to generate an income (all site improvements are acquired or rendered useless) then the income capitalization approach is applicable to the appraisal analysis at hand.
- If the partial acquisition will result in a change in highest and best use, will reduce the income generating potential of the subject property in the after condition, or will impact the risk associated with an investment in the property being appraised (this could change the capitalization rate utilized to value the subject property in the after condition) then the income capitalization approach is applicable to the appraisal analysis at hand.
Note: The appraiser must provide market evidence in the reported highest and best use – after condition section of the appraisal report to support his or her conclusion of a change in highest and best use.
Note: Any claims of changes in the income producing capability, or increased risk associated with the subject property in the after condition must be supported by market evidence.
- If the partial acquisition involves an acquisition of land and or site improvements that are typically rented out (parking stalls, land leases, etc.), and for which income data is available then the income capitalization approach is applicable to the appraisal analysis at hand.
- If the partial acquisition involves an acquisition of land and or site improvements that is not expected to impact the highest and best use of the subject’s remainder, reduce its

income generating capability, or increase the anticipated risk associated with an investment in the subject's remainder, then the income capitalization approach is not applicable to the appraisal analysis at hand.

Note: This type of acquisition makes up the vast majority of the acquisitions undertaken by WisDOT. The reason that the income capitalization approach is not applicable to this type of acquisition is that if the acquisition does not diminish the income generation capability of the property being analyzed, or increase the risk associated with the subject's remainder (from the before condition to the after condition), the before and after values of the property being appraised will not change, and no value loss is identified by the before and after analysis. The appraiser must then rely on the value of the part taken to value the land and improvements, and if no rental data for the land is available, then the sales comparison approach and the cost approach must be relied upon to value the part taken.

- If the appraiser determines that the income producing capability of the subject's remainder will not decrease, or that the risk associated with the subject property will not increase in the after condition, he or she must support their determination with market evidence.

The analysis required to determine the applicability of the income capitalization approach must be reported in this section of the appraisal report.

The reporting format for the income capitalization report will be closely tied to the specific methodology employed in the appraisal analysis and is therefore the sole responsibility of the assigned appraiser. WisDOT reporting standards will, however, dictate that the appraiser will be held responsible for providing adequate market data to support his or her determinations of the:

- Annual Income utilized
- Annual Expenses utilized
- Any Percentage Rates or Ratios (annual rate of return, capitalization rates, yield rates, etc.) utilized in the value calculation under the income capitalization methodology employed.

The appraisal report must clearly state that the estimated market value of the subject property in the before condition, as calculated using the Income Capitalization Approach is \$-----.

18. RECONCILIATION AND MARKET VALUE – BEFORE CONDITION

The Reconciliation and Market Value – Before Condition is not required if the appraisal assignment involves the use of only a single approach to value.

The Reconciliation and Market Value – Before Condition is required if the appraisal assignment involves the use of multiple approaches to value.

The Reconciliation and Market Value – Before Condition section of the appraisal report must identify the approaches to value utilized within the before condition section of the appraisal report. The appraiser must identify the value findings resulting from each of the approaches to value utilized and discuss the strengths and weaknesses of each approach. They must address:

- The quality and reliability of the data relied upon for each approach to value utilized;
- Whether the analysis for each approach to value utilized was directly supported by market data (objective), or if the analysis relied upon indirect market evidence and an interpretation of the appraiser's observations of market conditions (subjective);

- The inherent strengths and weaknesses of the approaches utilized in relation to the type of properties being acquired.

The appraisal report must indicate whether the estimated market value determination will rely on a single approach to value as the best value indicator for the subject property in the before condition, or if the appraiser will rely on a weighted average of the findings of the approaches utilized.

- If a single approach to value is identified as the best indicator of the estimated market value of the subject property in the before condition, then the appraiser must state which approach is best and why. The explanation for why a specific approach to value is the best indicator of value must be provided and it must be consistent with the strengths and weaknesses discussed above.
- If a weighted average is utilized the appraiser must provide an explanation of the differences in the weights given to each approach to value. The explanations must be consistent with the strengths and weaknesses discussed above. The appraiser must report the calculation of the weighted average of the value findings of the approaches utilized.

The appraisal report must clearly state that the estimated market value of the subject property in the before condition is \$-----.

19. DESCRIPTION OF THE PROPOSED ACQUISITION

The description of the proposed acquisition must identify all of the proposed acquisitions, as indicated by the Schedule of Lands and Interests Required portion of the Transportation Project Plat. The description must include:

- The locations of the acquisitions on the larger parcel.
- If the acquisitions involve specific (permanent limited) or temporary limited easements, the description must include the specific language from the Transportation Project Plat that indicates the intended use of the indicate easement(s). The description must also include how the easement(s) will affect the after-condition use of the encumbered area.
- If the acquisition will include site improvements, landscaping, minor structures, or primary buildings, they must be identified here. If the appraiser has provided an adequate description of the impacted improvements in the Subject Property Information – Before Condition the description need not be repeated here, and the improvements can simply be listed.
- In the case of a temporary limited easement (TLE), the appraiser must indicate if there are any site improvements, landscaping, minor structures, or primary buildings located within the TLE that will not be impacted.

In the event that the proposed acquisition is minor in nature, and will include only minimal site improvements, this section can be eliminated, and the description of the acquisitions included as an extension of the Subject Property Information – Before Condition. If the appraisal report is for a total taking of the subject property, this section can be eliminated.

20. SUBJECT PROPERTY INFORMATION – AFTER CONDITION

The appraisal report must adequately describe the subject property as it will exist in the after condition. The exact form that the description of the subject property in the after condition takes is up to the appraiser. The presentation of the description of the subject property in the after-condition will depend on:

- If the acquisition and subsequent construction project will result in significant impacts to the subject property that have the potential to change the highest and best use of the remainder, the appraisal report must contain a Subject Property Information – After Condition that includes:
 - A site description, building description and site improvement description that fully addresses the physical characteristics of these items in the after condition. This portion of the subject property information – after condition must be described in sufficient detail to accommodate the physically possible discussion of the highest and best use – after condition analysis.
 - If the proposed changes will result in a change of the legal status (zoning conformity) of the subject property, these changes must be described in sufficient detail to accommodate the legally permissible discussion of the highest and best use - after condition analysis.
- If the acquisition and subsequent construction project will have major impacts on the subject property in the after condition but will not impact the highest and best use of the remainder of the subject property, the appraiser may choose to utilize the Subject Property Information – After Condition section to identify the changes to the subject property rather than fully describing its after-condition physical characteristics.
- If the acquisition and subsequent construction project will have only minor impacts on the subject property in the after condition, the appraiser may choose to eliminate the Subject Property Information – After Condition section entirely and handle the changes to the remainder of the subject property as an extension of the Subject Property Information – Before Condition section of the appraisal report.
- If the appraisal report is for a total taking of the subject property, this section can be eliminated.

21. HIGHEST AND BEST USE – AFTER CONDITION

The reporting content of the Highest and Best Use – After Condition will be determined by the impacts of the proposed acquisition and subsequent construction project. The appraiser's analysis of the after-condition of the subject property (appraisal development) must be as thorough as the analysis that takes place in the before-condition. However, if the appraiser determines that the acquisition and subsequent construction project will have no impact on the highest and best use of the subject property in the after condition, he or she can choose to reproduce the highest and best use analysis from the before condition (with appropriate modifications), or they can explain why there is no change in the highest and best use. If the impacts of the of the proposed acquisition and subsequent construction project are considered to be minor, the appraiser may choose to eliminate the Highest and Best Use – After Condition from the report and address the after-condition highest and best use as an extension of the Highest and Best Use – Before Condition section.

If the appraiser determines, through their analysis, that the impacts of the proposed acquisition and subsequent construction project will result in a potential change in highest and best use of the subject property, then the Highest and Best Use – After Condition should report the same level of analysis as the before condition to support the appraiser’s determined change in highest and best use. The reporting standards outlined in the Highest and Best Use – Before Condition must be adhered to in the after – condition when there is a change in highest and best use.

22. SALES COMPARISON APPROACH – AFTER CONDITION

The reporting content of the Sales Comparison Approach – After Condition will be determined by the impacts of the proposed acquisition and subsequent construction project.

- If the remainder of the subject property has undergone a change in highest and best use, or will experience severance damages as a result of the proposed acquisitions (fee, permanent easements, or site improvements) the reporting standards for the Sales Comparison Approach – After Condition (The introduction, the valuation of the subject site and the valuation of the subject as improved) will be the same as for the before condition. The after-condition sales data should include sales not used in the before condition, that reflect the physical and legal changes to the remainder of the subject property resulting from the proposed acquisition (fee and or easement) and subsequent construction project.
- If the appraiser determines that the impacts of the proposed acquisition (fee, permanent easements, or site improvements) and construction project will not result in severance damages or a change in highest and best use, but the appraisal problem involves addressing the value impacts of the imposition of permanent limited easements by WisDOT on the remainder of the larger parcel, this issue must be addressed here. The appraiser may:
 - Duplicate the analysis/adjustment grids (value of the land and value of the subject as improved) and reflect the changes in the description of the subject property resulting from the fee acquisition and the imposition of the permanent easement(s). It will likely not be necessary to modify the after-condition adjustments for the changes resulting from the fee acquisitions, but the appraiser must address any adjustments required by the existence of the permanent easement(s). If the permanent easement(s) result in significant changes in value beyond the limits of the affected easement area, then a full after analysis, similar to the before-condition analysis, must be performed.
 - Provide a narrative analysis of the changes to the remainder of the subject property, but do not include the analysis/adjustment grids, and utilize the before-condition unit values. The appraiser may then apply an adjustment factor to the value of the affected portion of the remainder of the subject property for the imposition of the permanent easement. The adjustment factor must be supported by matched pairs or other market-based evidence.
 - The reporting of both the Land Value and Improved Value portions of the Sales Comparison Approach – After Condition must clearly state that the estimated market values identified, in the after condition, as calculated using the Sales Comparison Approach are \$-----.
- If the appraiser determines that the impacts of the of the proposed acquisition and subsequent construction project, on the remainder of the subject property will be minor in nature (will not change the unit value off the subject’s site or cause severance damages to the subject’s improvements), he or she may choose to eliminate the Sales

Comparison Approach – After Condition from the report, and address the after-condition values of the subject's site and improvements as an extension of the Sales Comparison Approach – Before Condition. The extension of the Sales Comparison Approach – Before Condition would indicate that:

- The remainder of the subject's site would have the same unit value in the after condition as it did in the before condition. The before-condition unit value would then be applied to the remainder of the subject property to establish an after-condition site value.
- The reporting of the extension of the Land Value portion of the Sales Comparison Approach – Before Condition must clearly state that the estimated market value of the subject, site in the after condition, as calculated using the Sales Comparison Approach is \$-----.
- The value of the remainder of the subject property as improved would be based upon the before condition value minus the estimated contributory value of the land and site improvements acquired. The subtraction of the land and improvements acquired could be performed on the appraised value of the subject property as improved, as established in the before condition, or on the estimated value of the subject property as improved (appraised land value plus the assessed value of the improvements) as established in the before condition (depending on the valuation method used for the before-condition).
- The reporting of the extension of the Improved Value portion of the Sales Comparison Approach – Before Condition must clearly state that the estimated market value of the subject property as improved in the after condition, as calculated using the Sales Comparison Approach is \$-----.
- If the proposed acquisition is a total taking of the subject property, the Sales Comparison Approach – After Condition is not needed.

23. COST APPROACH – AFTER CONDITION

The reporting content of the Cost Approach – After Condition will be determined by the impacts of the proposed acquisition and subsequent construction project.

- If the remainder of the subject property has undergone a change in highest and best use, or will experience severance damages, the reporting standards for the Cost Approach – After Condition will be the same as for the before condition. The need to complete a full cost analysis in this situation results from:
 - The possible need to utilize a different site value based upon the change in highest and best use. The land value resulting from the Sales Comparison Approach – After Condition will likely reflect the change in highest and best use, or other severance damages.
 - The replacement/reproduction cost of the subject's improvements should be the same as for the before condition (less the cost of any improvements acquired); however, the depreciation experienced by the remaining improvements, in the after-condition will likely be increased as a result of the proposed acquisition and subsequent construction project.
- If the appraiser determines that the impacts of the of the proposed acquisition and subsequent construction project, on the remainder of the subject property will be minor in nature (will not change the unit value off the subject's site or cause severance damages to the subject's improvements), he or she may choose to eliminate the Cost Approach – After Condition from the report, and address the after-condition values of the

subject's site and improvements as an extension of the Cost Approach – Before Condition. The extension of the Cost Approach – Before Condition would:

- Utilize the estimated value of the remainder of the subject's site from the extension of the Sales Comparison Approach – Before Condition Land Value with no requirement to discuss any changes in the unit value.
- The value of the remainder of the subject's improvements would be based upon the before condition value (no change in the cost of replacement/reproduction and no change in the depreciation) minus the estimated depreciated replacement cost of the site improvements acquired.
- The reporting of the extension of the Cost Approach – Before Condition must clearly state that the estimated market value of the subject property as improved in the after condition, as calculated using the Cost Approach is \$-----.
- If the appraiser determines that the impacts of the proposed acquisition and construction project will not result in severance damages, or a change in highest and best use, to the remainder of the subject property, he or she may choose to complete the Cost Approach – After Condition, but reduce the analysis presented to reflect the perceived impacts to the subject's remainder. The appraiser may:
 - Utilize the land value from either the extension of the Sales Comparison Approach – Before Condition Land Value, or from the Sales Comparison Approach – After Condition Land Value (whichever option was used).
 - Duplicate the before condition cost analysis for the subject's improvements leaving out the site improvements that are acquired.
- If the proposed acquisition is a total taking of the subject property or will result in the remainder of the subject property being vacant, the Cost Approach – After Condition is not needed.
- If the appraisal report contains a Cost Approach – After Condition section, it must clearly state that the estimated market value of the subject property in the after condition, as calculated using the Cost Approach is \$-----.

24. INCOME CAPITALIZATION – AFTER CONDITION

The analysis of the applicability of the income capitalization approach performed in the before condition will dictate whether the inclusion of the Income Capitalization Approach – After Condition should be included in the appraisal report. If the use of the income capitalization approach was identified as being appropriate in the before condition and the acquisition is a partial taking, then the income capitalization approach must be completed for the after condition. The standards for reporting the Income Capitalization Approach – After Condition are the same as for the before condition. If the use of the income capitalization approach was identified as being appropriate in the before condition and the acquisition is a total taking, then there is no need to include the Income Capitalization Approach – After Condition section in the appraisal report.

If the appraisal report contains an Income Capitalization Approach – After Condition section, it must clearly state that the estimated market value of the subject property in the after condition, as calculated using the Income Capitalization Approach is \$-----.

25. RECONCILIATION AND MARKET VALUE – AFTER CONDITION

The Reconciliation and Market Value – After Condition is not required if the appraisal assignment involves a total taking or utilizes only a single approach to value.

The Reconciliation and Market Value – After Condition must be included in the appraisal report if the appraisal assignment involves a partial acquisition that uses multiple approaches to value. This requirement applies to complex appraisal problems that include a full and complete analysis and presentation of the three approaches to value in the after condition, as well as to uncomplicated appraisal problems that have utilized extensions to the before condition valuation sections. If multiple approaches to value are utilized in the after condition, then they must be reconciled to determine a market value. The reporting standards for the reconciliation and market value - after condition is the same as for the before condition.

The appraisal report must clearly state that the estimated market value of the subject property in the after condition is \$-----.

26. BEFORE AND AFTER ANALYSIS VS. VALUE OF THE PART TAKEN CONCLUSIONS

The Before and After Analysis Vs. Value of the Part Taken Conclusions consists of four parts:

1. Value of the Part Taken
2. Before and After Conclusion
3. Total Severance Damages or Special Benefits
4. Curable Severance Damages (Costs to Cure)

Part 1. (Value of the Part Taken): will address the calculation of the value of the part taken. This section of the Before and After Analysis Vs. Value of the Part Taken Conclusions will include:

- The calculation of the value of the fee taken. This calculation should utilize the unit value of the subject site established in the Land Value portion of the Sales Comparison Approach – Before Condition (Item 15A) and the area of the fee taking as reported in the Description of the Proposed Acquisition (Item 19) section of the appraisal report.
- The calculation of the permanent limited easement. Wisconsin Statute 32.09(6g) dictates that the appraiser perform a before and after analysis to establish the value of an easement. This will complicate the determination of the value of a permanent easement for the value of the part taken calculation. The appraiser will be required to abstract a value for the permanent easements acquired (for the calculation of the value of the part taken) based upon the methods used to account for the existence of the permanent easements in the approaches to value utilized.
 - If the method used in the Sales Comparison Approach – After Condition involved matched pairs to identify an adjustment factor applied to the unencumbered fee value of the affected land, then the same method should be employed to calculate the permanent easements contribution to the value of the part taken.
 - If the method used in the Sales Comparison Approach – After Condition involved an adjustment to the comparable sales utilized to measure the after-condition impacts of the permanent easements, then the value impacts resulting from the adjustment should be used to estimate the value of the permanent easement taken.

- The potential modifications to the depreciation factors associated with the cost analysis of the Cost Approach will not reasonably render an estimated value for the permanent easements.
- The potential modifications to the income or risk factors considered in the Income Capitalization Approach will not reasonably render an estimated value for the permanent easement.
- The summation of the values of the site improvements acquired will be based upon the values established for the affected site improvements in either Section A of the Cost Approach – Before Condition (Item 16) or Alternative Item 16 - Estimated Contributory Value of the Affected Site Improvements.
- Part 1 will close with a tabular representation of the value of the fee acquisition, the value of the permanent limited easements, the site improvements acquired (the improvements acquired should be identified individually) and the total the value of the part taken.

Part 2: Before and After Conclusion: will consist of a tabular representation of:

- The value of the subject property in the before condition as reported in the Reconciliation and Market Value – Before Condition (Item 18) section of the appraisal report.
- The value of the subject property in the after condition as reported in the Reconciliation and Market Value – After Condition (Item 25) section of this report.
- The total change in value between the before and after conditions.

Part 3. Total Severance Damages or Special Benefits: will consist of a tabular representation of:

- The total change in value between the before and after conditions from Part 2 above
- The total amount of the value of the part taken from Part 1 above.
- If the value for Part 2 is less than the value for Part 1, then before and after analysis will have resulted in the identification of a special benefit.
 - If the appraisal analysis reveals a potential for special benefits, the appraiser must consult with the review appraiser and possibly obtain the advice of WisDOT's legal counsel before reporting any special benefits in his or her appraisal report.
- If the value for Part 2 is greater than the value for Part 1, then the before and after analysis will have resulted in the identification of severance damages.
 - If the appraisal analysis reveals the existence of severance damages, the appraiser must determine if the damages are curable (in part or completely), or if the severance damages are incurable (in part or completely).
 - If the severance damages are curable then the appraiser must indicate (separate from the tabulation for Part 3) how much of the identified severance damage is estimated to be curable and how much is estimated to be incurable and proceed to Part 4 below.
 - If the severance damages are incurable, in total, then the appraiser must discuss the nature of the incurable severance damages and why they are incurable (separate from the tabulation for Part 3). The appraiser need not complete Part 4.

Part 4. Curable Severance Damages (Costs to Cure): If the appraisal analysis reveals the existence of curable severance damages, the cost to cure the identified severance damages must be discussed at this point. The appraiser must describe the source of the potential severance damages and the amount of potential damage that would exist if the impacts were not cured. The appraiser must then describe the proposed method utilized in the appraisal analysis, to cure the identified severance damages, and how the proposed cure would mitigate

the identified impacts. The presentation of the proposed cure must include sufficient detail to support the appraiser's position that the proposed actions will in fact cure the identified damages, and an estimate of the cost of curing the potential severance damages. The appraiser must identify the source of the proposed cure and cost estimate (if a third party provided the analysis). Part 4 must close with a recalculated after value for the remainder of the subject property replacing the amount of the uncured severance damages with the cost of the identified cure(s).

27. TEMPORARY LIMITED EASEMENT

Occasionally land, necessary to facilitate the construction of a highway project, is acquired as a temporary limited easement. The appropriate method for valuing TLE's is outlined in Subsection 2.4.6.4 (Temporary Limited Easement). The following section will address the reporting standards for the presentation of the Temporary Limited Easement section of the appraisal report. The Temporary Limited Easement (TLE) section of the appraisal report must contain:

- The language used on the TPP to describe the rights being acquired and the use to which the TLE is to be put.
- The starting date of the TLE, that corresponds to the effective date of the appraisal must be stated along with the expiration date of the TLE (as provided by the Regional Real Estate Office).
- The appraisal report must describe the size and location of the TLE and whether the TLE will result in the acquisition of any site improvements or will result in any severance damages to the remainder of the subject property.
- The TLE section of the appraisal report will recognize the impacts of the TLE on site improvements and the possible creation of severance damages, but the valuation of the TLE will focus on compensating the affected property owner for the temporary use of the land encumbered by the TLE. The valuation of the acquired improvements and potential severance damages are considered to be permanent and will be handled as part of the before and after valuation analysis.
- The unencumbered fee land value (unit value) of the land contained within the TLE. The unit value must be based upon the Sales Comparison Approach – After Condition section of the appraisal report. The unit value of the land must reflect any severance damages identified for the affected area of the subject's remainder.
- The appraiser's calculation of the annual yield rate and discount rate to be used to calculate the compensation for the TLE use. The format for the calculation should be consistent with the Example provided in Subsection 2.4.6.4 (Temporary Limited Easement). The appraiser must also provide a brief discussion of how he or she chose their safe rate and the reasoning behind the adjustments for expected inflation and risk.
- If the appraiser utilizes land rental data obtained from the market, they must explain how the rental rates were obtained.
- The calculation of the compensation for the TLE. The format for the calculation should be consistent with the Example provided in Subsection 2.4.6.4 (Temporary Limited Easement).
- A closing statement identifying the calculated amount of the TLE and that the compensation is for the use of the land contained within the TLE and that the compensation is separate from the before and after analysis.

28. TOTAL DAMAGES AND ALLOCATIONS

The Total Damages and Allocations section of the appraisal report is intended to provide a summary of the value findings developed as a result of the appraisal analysis presented in the appraisal report. The initial allocation will address the difference between the before value of the larger parcel and the after value of the larger parcel. The before value will be based upon the estimated market value identified in Item 18 – Reconciliation and Market Value – Before Condition, if multiple approaches to value were utilized for the before condition. If there was only one approach to value utilized (typically the sales comparison approach) then the estimated market value will be tied to the item covering the approach to value utilized.

The after value will be based upon the analysis conducted in Part 4 of Item 26 – Before and After Analysis Vs. Value of the Part Taken Conclusions and will be either the adjusted after value based upon the identification of a cost to cure severance damage, or the unadjusted after value from Item 25 above. The after value that results in the lowest estimate of damages will form the basis of the allocation of damages resulting from the difference in the before and after conditions.

TOTAL DAMAGES	
Before Value	\$
After Value	\$
Total Damages	\$
Rounded to	\$

The tabulation of the before and after values and the total damages presented above meets the reporting standards for this portion of the allocation.

The allocation must also include a breakdown of the proposed acquisition and subsequent severance damages. (The allocation of damages is required by 49 CFR.)

ALLOCATION OF DAMAGES	
Fee Acquisition	\$
Primary Buildings Acquired	\$
Site Improvements Acquired	\$
Permanent Limited Easement	\$
Severance Damage	\$
Temporary Limited Easement	\$
Total Damages	\$

- The Fee Acquisition section of the Allocation of Damages addresses the acquired land.
- The Permanent Limited Easement section of the Allocation of Damages must state the type of permanent limited easement being reported. If there are multiple types of permanent limited easements on a parcel, the damage attributable to each one must be listed and identified.
- The Site Improvements section of the Allocation of Damages should be broken down by the major type of site improvement being reported:
 - Landscaping
 - Hardscaping (retaining walls, planter walls, major above ground decorative walls)
 - Secondary Buildings (detached garages, sheds agricultural outbuildings)
 - Driveways

- Fencing
- Private Wells and Septic Systems
- The Severance Damages section of the Allocation of Damages should be broken down between Curable Severance Damages (Cost to Cure) and Incurable Severance Damages. The costs to cure and incurable severance damages must be consistent with the discussions provided in Item 26 - Before and After Analysis Vs Value of the Part Taken Conclusions above.

Categories can be added to or deleted from the above list as needed, depending on damages accruing to the subject.

The tabulation of the Allocation of Damages presented above meets the reporting standards for this portion of the allocation.

If required as a part of the Appraisal Assignment Conditions included in the Appraisal Scope of Work Agreement, the appraiser will provide an allocation of the value of the subject property, in the before condition, between the site and improvements (Primary Building and site improvements). Under the Unit Rule (see Subsection 2.4.2 – Application of the Unit Rule), the only acceptable method for allocating the value of the subject property, in the before condition, between the site and improvements is to value the subject property as improved, value the subject's site as if vacant** and subtract the value of the site from the value of the subject property as improved. The value of the site as if vacant will establish the value of the land. The value of the subject property as improved minus the value of the site as if vacant will establish the value of the subject's improvements.

**Note – The valuation of the subjects site as if vacant will depend on the highest and best use analysis developed under Item 12 Highest and Best Use – Before Condition and whether the subject property was determined to a transitional property or have an interim highest and best use (see Subsection 2.4.7.1 – Valuing Interim Use Properties).

29. PHOTOGRAPHS OF SUBJECT PROPERTY

The appraisal report must include photos of the subject property in sufficient quantity and quality to show:

- The areas of the proposed acquisition from the subject's site.
 - If the right of way is staked at the time that the photos are taken, the appraiser should make every effort to highlight the location of the stakes within the photos and their relation to the proposed acquisition.
- The street views of the subject's highway frontage.
- If there are any impacts to the site improvements (fencing, driveways, hardscape, or landscaping) the photos must include closeups of the impacted improvements.
- If the subject's primary buildings will be impacted (be acquired or experience severance damages) the entirety of the exterior of the affected buildings must be photographed.
- If the subject's primary buildings will be valued as part of the appraisal analysis, the appraisal report must contain sufficient photographic evidence of the interior of the buildings to support the valuation of the structures.
 - If the assessed value of the subject's improvements will be utilized in the appraisal analysis, then the appraiser may choose to forego including photographs of the interior of the subject's buildings.

- Each photo included in the appraisal report must be followed by a description of the photo's content, where it was taken from and the direction of the camera was pointed (north, south, northeast, etc.).

The appraiser is encouraged to utilize as many photographic exhibits as they feel is necessary to relate the needed information.

30. LOCATION MAPS

The appraisal report must contain location map(s) showing:

- The location of the proposed project within the State of Wisconsin
- The location of the proposed project and subject parcel within the identified subject area and or neighborhood (as described in Item 10 - Area and Neighborhood Description above). This mapping must depict the boundaries of the subject's neighborhood.
- The location of the subject property within the proposed project.

31. PROPERTY SKETCH AND LARGER PARCEL MAP

The property sketch is a graphic representation of the affected area of the subject property. The property sketch should include:

- The location of the proposed acquisitions (this information should be consistent with the representation in the Transportation Project Plat)
- The location of the primary building improvements (including their setback from the existing right of way line as well as from the proposed right of way line)
- The location of the well and septic systems (if appropriate)
- The location of any affected site improvements (secondary buildings, landscaping, fencing, etc.)
- if the parcel sketch will also be used for the larger parcel map, the property boundaries of the larger parcel should be included

The larger parcel map may be eliminated if the subject parcel is small enough to be covered by the parcel sketch, then the larger parcel map may be combined with the parcel sketch. If the larger parcel is too large to represent by a graphic map, it may utilize an aerial photo that shows:

- the boundaries of the larger parcel
- the location of any site improvements
- the location of the access to the subject site
- the location of the proposed acquisitions (if the taking is partial)

The appraiser is encouraged to utilize as many exhibits as they feel is necessary to relate the needed information.

32. COMPARABLE SALES SHEETS

The appraisal report must contain the following information for each of the comparable sales utilized in the analysis and valuation of the subject property:

- A Comparable Sales Sheet, which must contain the following information:
 - Comparable sales number
 - Property type
 - Location – If the property has an assigned address, this address will meet this requirement. If the property does not have an assigned address, a general location description should be provided.
 - Tax I.D. number
 - County
 - A legal description – If the legal description is lengthy an additional sheet with the legal description can be added to the package of information provided for the comparable sale.
 - Grantor
 - Grantee
 - Relationship of Grantor and Grantee (If no relationship exists the transaction is “Arms-Length”)
 - Type of document used for the transfer
 - Document number
 - Data source
 - Sales price
 - Property size
 - Unit price
 - Conveyance date
 - Days on the market
 - Zoning
 - Intended use
 - Conditions of sale
 - Financing
 - Type of road frontage
 - Person who conducted the verification process
 - Person that provided verification
 - Comments obtained in the verification process
 - Date of Inspection
 - Present use
 - Highest and best use
 - Site description
 - Topography
 - Access to utilities
 - Quality and condition
 - The existence and nature of special features (waterfront, view, access, contamination history, etc.)
 - Description of neighborhood
 - Description of the site improvements (buildings). The improvement information from the data source can be added to the package of information provided for the comparable sale if the appraiser is comfortable with the content.

The Comparable Sales Sheet can be generated using the Acquisition Comparable screen in READS, or the appraiser may utilize the Comparable Sales Sheet template.

- An aerial photo of the comparable sale
- A street level photograph of the comparable sale
- If there is a Certified Survey Map available for the comparable sale, its inclusion is optional.

The appraiser must refrain from including items in the comparable sales packages that are not identified above. If the appraiser chooses to include additional information in the individual comparable sales packages, it must address deficiencies in the summarized information provided in the comparable sales sheet and contribute materially to the appraisal analysis (example photos and information associated with an extreme verification process required for a commercial comparable sale as described in Subsection 2.4.4 – Valuation of Commercial Fixtures).

33. ADDITIONAL MAPPING

This section of the Addendum should be used for miscellaneous mapping required for the appraisal report. If the mapping is included in this section it must be referenced in the body of the report. If the mapping is not tied to specific data analysis or the relation of factual data within the body of the report, then it is raw, unanalyzed information. As with other reporting standards presented in this section of the REPM, the inclusion of raw unanalyzed data is not permitted because it leaves the interpretation of the data to the reader, which may result in the appraisal report being misleading.

Examples of mapping that could be included in this section of the Addendum include, but are not limited to:

- Locational maps
- Zoning maps
- Flood plain maps
- Soils maps
- Plan sheets for the proposed project
- Cross-section sheets for the proposed project

35. APPRAISER'S QUALIFICATIONS

The appraiser must include a resume that indicates his or her experience and education. If the appraiser is an unlicensed employee of WisDOT (staff appraiser) the appraiser should also include references to all departmental education and mentoring opportunities that he or she has taken part in. If the appraiser is licensed or certified the Appraiser's Qualifications must include his or her license or certification information.

2.3.6 - Appraisal Reporting Standards - Short Format Template

The Appraisal Report - Short Format (RE1005) has been developed as a self-contained, independent appraisal template that will result in an appraisal report that is USPAP compliant if completed according to instructions contained in the template. The short format appraisal template can be used for any non-complex appraisal problem regardless of the value of the acquisition. The primary factor in determining the applicability of the short format appraisal

report, is whether the factual data, data analysis and valuation process can be summarized and presented meaningfully in a condensed format. The short format template has been developed to assist new appraisers develop their appraisal skills and to provide a content appropriate reporting product that can meet the federal and state requirements for the preparation of an appraisal report. The appraisal reporting format matrix contained in REPM/Subsection 2.3.2 identifies the short format template as the appropriate format for: nominal parcels; partial acquisitions from intermediate parcels and total takings of intermediate parcels (parcel types are defined in REPM/Subsection 2.1).

The short format template is not intended to address complex appraisal issues associated with the valuation of primary building improvements, the calculation of permanent limited easements and the identification of incurable severance damages. The valuation of primary building improvements requires an extensive description and analysis of the primary building improvements together with the potential for the need to employ a cost analysis requiring a discussion of the depreciation of the improvements. Both requirements are not adaptable to the short format template limitations. The preferred methods for valuing permanent easements as established in REPM/Subsection 2.4.6.3 require the valuation of a permanent limited easement using either a full before and after analysis utilizing two separate sets of comparable data, or the use of matched pairs data. Both analyses are inconsistent with the limitations of the short form template. However, Subsection 2.4.6.3 does recognize that, in the absence of market data, the appraiser may utilize an analysis of the easement's impacts on the affected property (this analysis must be included in the appraisal report) to support a percentage of loss in value resulting from the imposition of a permanent limited easement. An easement valuation of this type may be presented in a short format appraisal report. Finally, while the short form template may be employed to address easily calculated costs to cure for readily identifiable severance damages (examples: cost to move a driveway, cost to replace fencing, cost to restore lost screening, etc.), the short form template is not intended to address the complex issues associated with curable severance damages that are not readily identifiable or easily calculated, or incurable severance damages of any kind.

The short format template is designed with standardized text that is consistent with REPM/Subsection 2.3.5, together with expandable cells designed to guide the appraiser through the presentation of factual data, analysis and value findings. The instructions included in the individual cells will assist the appraiser in maintaining a concise presentation, while adequately addressing descriptive and analytical issues necessary for relating the appraisal problem and the appraiser's value findings to the reader. The instructions are highlighted in red and will be deleted by the appraiser as each task (section) is completed.

2.3.7 - Sales Study

The sales study is a tool, prepared by the assigned appraiser, or the assigned regional RE staff, to assist the review appraiser and the acquisition specialist in the completion of their responsibilities in the valuation and acquisition of RE for a proposed construction project. The content of the sales study will be designed to identify and organize the available sales data, provide a brief introductory description of existing market conditions within the subject property's neighborhood, and provide unit value information required for the preparation of the nominal payment parcel report (Waiver Valuation). The sales study will have two basic alternative formats:

- The Sales Study will be prepared for projects that will not be utilizing waiver valuations.
- The Expanded Sales Study will be prepared for projects that will be utilizing waiver valuations. The term “Expanded” refers to the fact that the typical “Sales Study” content is expanded to include the estimation of unit values for each of the property types, which will be used in the preparation of waiver valuations.

The content of the Sales Study must include:

- A title page that contains:
 - The Project Number
 - The Highway which is affected by the project
 - The Termini of the proposed project
 - The County where the project is located
 - Report Date
 - The footer of the summary and descriptive pages of the sales study must include:
 - The Project Number
 - The Page Number
- A project information section that contains a project description and construction project timeline that is consistent with the project information reporting standards provided in Subsection 2.3.5 Item 9 (Project Information) of the REPM.
- A tabular summary of the comparable sales data contained within the sales study. The following table can be utilized as a template to provide the required sales information:

Summary of (Insert Property Type) Sales						
No.	Property Location	Date of Sale	Size (SF or Ac.)	Zoning	Sales Price	Price per Unit (SF or Ac.)

The sales study must contain a separate table for each property type identified on the proposed project. The number and types of properties will be determined by the preparer of the sales study. Examples of property types include, but are not limited to:

- Agricultural Land over 40 Ac.
- Agricultural Land under 40 Ac.
- Rural Residential Land over 5 Ac.
- Rural Residential Land under 5 Ac.
- Commercial Land
- Industrial Land
- Small Residential Lots (1,000 SF to 5,000 SF)
- Residential Lots (5,000 SF to 10,000 SF)
- Residential Lots (10,000 to 1 Ac.)
- Improved Residential Property
- Improved Commercial Property

The actual property types used will depend on the market in which the project is located. The site sizes utilized for the different property types will depend upon the sales data that is available, and whether the data indicates any break points in property value (points in the range of property sizes at which there is a discernable change in unit value) based upon site size. The heading of the individual tables will include the property type for which the table was prepared.

- A brief description of the property types identified, together with a discussion of the availability of sales data for each property type included in the study. The discussion should include whether there was adequate sales data within the project area, or whether the appraiser had to expand their search area. The appraiser should expand their discussion if the market data was very limited and describe the steps they took to overcome the lack of data.
- A brief description of the general RE market for the area of the project. The appraiser should highlight key items that they have observed about supply and demand; whether the market is growing, stable or in decline; and any other characteristics that would assist the user of the sales study in understanding the market conditions within the project area.
- A comparable sales map that identifies the location of the project corridor and the sales contained in the sales study.
- The comparable sales sheets for the sales data that has been identified for the proposed project. The content of the sales sheets must conform with the standards established by REPM/Subsection 2.3.5 Item 32 – comparable sales sheets. The comparable sales sheets should be grouped by property type. The comparable sales contained within the sales study must, at a minimum, be confirmed with the Department of Revenue and, or county records at the time that the sales study is completed. Those comparable sales utilized in the appraisal reports must be confirmed with one or more parties to the transaction before they can be used in an appraisal.
- A temporary limited easement (TLE) section that is consistent with the reporting standards provided in Subsection 2.3.5 Item 27 (Temporary Limited Easement) of the REPM. The annual yield rate and discount rate identified should be consistent with the predominant property type(s) on the project. The size of the TLE and the unit values for the affected land should be left blank as these elements will differ from parcel to parcel.

The content of the expanded sales study must include:

- Everything contained within the sales study as described above.
- Those comparable sales that provide primary support for the unit values indicated for each property type must be verified with one or more parties to the transaction.
- The individual tabular summaries of the comparable sales data will be modified to include a brief analysis of the values indicated by the comparable sales data provided in the individual summary tables and a determination of a unit of value for each property type. The analysis for each property type will follow the summary table for the property type being analyzed. The preparer should estimate the unit value for each property type, based upon an analysis of the available data and its comparability with the property on the proposed project, and not simply on a calculated average of the unit values for the identified comparable sales.
- The summary tables for the individual property types will be modified to add the annual yield rate and discount rate to be used for the calculation of the TLE during the preparation of the waiver valuations.

Summary of Sale Type						
Annual Yield Rate:			Discount Rate:			
No.	Property Location	Date of Sale	Size (SF or Ac.)	Zoning	Sales Price	Price per Unit (SF or Ac.)

The rate may vary from property type to property type, or the preparer may choose to utilize a consistent rate for all property types. The analysis added to the expanded sales study, discussed above should also include the preparer’s calculation of the annual yield rate and the discount rate as directed by REPM/Subsection 2.4.6.4. The calculation should include the safe rate and its source (certificates of deposit or municipal bonds, etc.), the adjustment for non-liquidity and the adjustment for risk. If a single rate is being used for the entire project, then the preparer can forego the rate identification for each property type and identify the project-wide rate being proposed and its calculation.

A project-wide sales study should be requested at the time that the appraisal assignments are made. The requirement for the preparation of a sales study can be waived if the assigned appraiser and review appraiser determine that there is no need. If the preparer of the sales study or expanded sales study is unsure about what to include in an assigned sales study report, then they must consult with the assigned review appraiser for guidance.



2.4 - EMINENT DOMAIN APPRAISAL CONCEPTS

2.4.1 - Larger Parcel

As stated in the Yellow Book, essential to the appraiser's analysis of highest and best use is the determination of the larger parcel. The Yellow Book defines the larger parcel as that tract, or those tracts, of land that possess a unity of ownership and have the same, or an integrated, highest and best use. Elements to be considered in determining the larger parcel are 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.

Larger Parcel

- The Dictionary of Real Estate Appraisal 6th Edition, published by the Appraisal Institute, defines the larger parcel as:
In governmental land acquisitions, the tract or tracts of land that are under the beneficial control of a single individual or entity and have the same, or an integrated, highest and best use. Elements for consideration by the appraiser in making a determination in this regard are 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.

Historically, the concepts of unity of highest and best use and unity of ownership have been the primary considerations in making a larger parcel determination. These concepts generally mean that the parcels must share the same highest and best use and must be held under the same quality of ownership to be considered as one property. Courts have held that diversity of ownership is not necessarily a preclusion to considering tracts as part of a larger parcel where the tracts abut and are used in common by the owners pursuant to some sort of agreement. Also, a situation where one parcel is held by a corporation solely owned by a single person, and the same single person owns the adjoining tract, does not preclude consideration as one parcel. Unity of highest and best use in determining the larger parcel, as with any other highest and best use analysis does not refer just to the existing use of the parcels being analyzed, but rather refers to the potential uses of the property in question. Contiguity is recognized as the third element of consideration in determining the larger parcel; however, the fact that parcels are not contiguous does not necessarily mean they are not part of the same larger parcel.

In most appraisal assignments, it will be important for the appraiser to include all of the owner's potential parcels in the larger parcel in order to establish the tracts that may be damaged or benefited by the proposed acquisition. The Wisconsin Supreme Court's decision in *Bernice Spiegelberg v. State of Wisconsin and Department of Transportation* provided an alternative point of consideration. Based upon *Spiegelberg*, if a property owner owns multiple individual tracts of land that could potentially qualify as a larger parcel, if combined, it is not a requirement that they be combined. With *Spiegelberg* in mind, a highest and best use analysis must be performed on each potential larger parcel configuration (variable combinations or individual tracts), and the appraiser must look at which alternative is the most advantageous use of the tracts in question. This position is not inconsistent with the concept of highest and best use. The appraiser need not report the highest and best use of every potential combination; however,

they must provide adequate information in their appraisal report to show that all of the options were considered, and why the option reported was the appropriate one.

If questions arise as to the determination of the larger parcel for an appraisal assignment, the appraiser is encouraged discuss the larger parcel determination with the assigned review appraiser and WisDOT legal counsel.

2.4.1.1 - Separate Entity

In addition to the potential larger parcel options described in REPM/Subsection 2.4.1 above, there is the possibility that the proposed partial acquisition itself may qualify as a larger parcel.

Section 32.09(6), Wis. Stats. refers to the fair market value of the property taken as of the date of evaluation. Typically, the fair market value of the property taken (see REPM/Subsection 2.0.2.1.2) will be based upon a partial acquisition (of a larger parcel) that is either too small or of an insufficient dimension to be considered as a separate independently utilized tract of land (separate entity). In this case the part taken is valued based upon its contribution to the larger parcel (as determined under REPM/Subsection 2.4.1). If, however, the acquisition involves a fee taking that is of a sufficient size and dimension to be developed as an independent, stand alone, parcel, or separate entity, then the appraiser should consider the possibility that the acquisition itself may be the larger parcel. This is consistent with the direction of Section 32.09(6), Wis. Stats. to identify the fair market value of the property taken. In the case where the part taken can be considered as a separate entity, the appraiser must perform a highest and best use analysis based upon a total acquisition of the possible separate entity. This analysis then needs to be compared to the larger parcel options, developed for the acquisition as a partial taking from a larger parcel, to determine the appropriate larger parcel for their appraisal. The separate entity should not automatically be assumed to be the most advantageous larger parcel configuration for the property owner.

The analysis of the part taken as a separate entity must include a full highest and best use analysis that addresses all four tests for highest and best use (legally permissible, physically possible, financially feasible and maximally productive). It is insufficient to just show that a separate independent use of the part taken is legally permitted, physically possible and produces the maximum value, without analyzing the supply and demand within the subject's market area to determine if the use that produces the maximum value is financially feasible. If there is an excess supply of lower priced competing properties for the identified use, or if there is no demand for the use identified as establishing the maximum value, then the use that provides the maximum value will not be financially feasible. The issue of financial feasibility is often overlooked when considering the part taken as a separate entity. However, without a full highest and best use analysis, which includes a consideration of financial feasibility, the appraiser cannot support their selection of the comparable sales or the comparable adjustments. Nor will the appraiser be able to support their determination of the use that produces the maximum value.

The following items are possible areas of concern when considering the part taken as a separate entity:

- Is the zoning relied upon for the determination of legal permissibility currently in place, part of a future land use plan, or an extraordinary assumption on the part of the appraiser?
 - If the zoning is not currently in place, then the appraiser must make allowances for the time and effort to change the zoning and any possible discounts to value that would result.
- Do the size, dimensions and topography of the separate entity allow flexibility in the development of the site, or are development options limited?
 - If the options are limited, then the lack of flexibility is an issue that must be considered in the highest and best use analysis and valuation process.
- What is the relationship between supply and demand (financial feasibility) in the market area of the potential separate entity?
 - Typically acquisitions that are capable of independent development are created in rural or transitional (rural to commercial or residential) areas. In this type of an area, the appraiser must consider whether there is a demonstrable demand for the property use identified for the potential separate entity and how many alternative sites are available. For example, it is difficult to claim a commercial value based upon a high demand area, when the separate entity is located in a rural area surrounded by available agricultural land.
- How does the total taking value of the separate entity compare to the partial taking of the larger parcel, which would include possible severance damages?
 - The appraiser must keep in mind that valuing the part taken as a separate entity results in a total taking. There is no remainder, and therefore there is no chance to consider the possible impacts of grade changes, changes in proximity or access, or any other possible negative impacts to the larger parcel that would be the subject of a partial acquisition.

The consideration of the part taken as a separate entity is considered to be appropriate, based upon Section 32.09(6) Wis. Stats., and is not inconsistent with the concept of the highest and best use analysis. However, the identification of the part taken as a separate entity does not relieve the appraiser of their responsibility to carry out an appropriate highest and best use analysis and the need to show that the identification of a separate entity is supported by the available market data.

2.4.2 - Application of the Unit Rule

As stated in The Yellow Book, the market value concept in federal acquisitions generally requires application of the so-called unit rule, a principle developed by the federal courts that dictates what is to be valued for just compensation purposes. Under the unit rule, the property being appraised must be valued as a unitary whole and held in single ownership. The value of the whole cannot be derived by adding together the separate values of various interests or components. As a result, summation or cumulative appraisals are improper under federal law. The unit rule relates to ownership interests (estates) in real estate—such as landlord and tenant, or mortgagor and mortgagee—and to various physical components of real estate—such as timber, mineral deposits, farmland, and buildings.

Unit Rule

- The Dictionary of Real Estate Appraisal 6th Edition, published by the Appraisal Institute, defines the unit rule as:
 - In condemnation appraisal, a valuation rule with two aspects, the first dealing with ownership interests and the second dealing with the physical components. The first aspect of the rule, also referred to as the undivided fee rule, requires that property be valued as a whole rather than by the sum of the values of the various interests into which it may have been carved (such as lessor and lessee, life tenant and remainderman, and mortgagor and mortgagee, etc.). This is an application of the principle that it is the property, not the interests, that is being acquired. The second aspect of the rule is that different physical elements or components of a tract of land (such as the value of timber and the value of minerals on the same land) are not to be separately valued and added together.

Before the concept of the unit rule can be applied to a parcel being appraised, a larger parcel analysis (as discussed in REPM/Subsection 2.4.1 above) must take place to determine what the property being appraised is. A parcel, as established by the TPP, may consist of a single larger parcel, or multiple larger parcels, depending on the appraiser's larger parcel analysis. The unit rule does not play a part in the larger parcel analysis, but the larger parcel analysis does define the property being appraised for the application of the unit rule. Once the property being appraised is defined by the larger parcel analysis, the unit rule will apply to the larger parcel(s) identified.

The first aspect of the unit rule, as defined above, requires that when an appraisal is being performed on a property with multiple ownership interests, the property is to be appraised as if all property rights are held by a single owner (undivided fee rule). The market value of the whole can then be apportioned among the various ownership interests. In this way, the interests are valued as a portion of the whole, rather than valuing them independently and adding them together. This valuation principle is consistent with the intended use of the appraisal, as a tool in determining just compensation, which is compensation for the property itself, not for the various ownership interests. Typically, in Wisconsin, the appraiser will not be asked to make an apportionment statement in their appraisal report. Apportionment is typically left to the parties involved, or it is left to the courts to decide.

The second aspect of the unit rule, as defined above, concerns itself with the physical elements of the "property being appraised. The unit rule does not permit separate physical components of a property, such as the timber located on the site; the mineral deposits located beneath the site; the site improvements and the remainder of the property to be valued individually and then

added together to estimate a value for the property being appraised (a cumulative appraisal). The property must be valued as a whole with the individual components considered only to the extent that they enhance or diminish that value.

A typical WisDOT appraisal is based upon a partial acquisition from a larger parcel; a valuation problem that will require that the appraiser estimate the value of the part taken, which may include land, site improvements and vegetation. On the surface, the solution to this appraisal problem may appear to depart from the unit rule; however, as will be discussed in REPM/Subsection 2.4.3, addressing the individual components of an acquisition based upon their contributory value will allow the appraiser to adhere to the unit rule while identifying the value of the individual parts taken.

2.4.2.1 - Contributory Value

The majority of the acquisitions undertaken by WisDOT are partial acquisitions from a larger parcel. The value of these partial acquisitions will be determined by either the value of the part taken (see REPM/Subsection 2.0.2.1.2), which is based upon the contributory value of the acquisition, or under the before and after rule, which measures the difference between the value of the larger parcel before the acquisition and the value of the remainder of the larger parcel after the acquisition. The before and after rule will identify the contributory value of the property acquired together with any value loss or gain resulting from the acquisition and subsequent construction project.

Contributory Value

- The Dictionary of Real Estate Appraisal 6th Edition, published by the Appraisal Institute, defines contributory value as:
 - A type of value that reflects the amount a property or a component of a property contributes to the value of another asset or to the property as a whole.

Since the only reliable definition of contributory value includes the word “contribute” in it, it is necessary to include the definition of contribution to provide clarity.

Contribution

- The Dictionary of Real Estate Appraisal 6th Edition, published by the Appraisal Institute, defines contribution as:
 1. The amount a component of a property adds to the total value of the property. Contribution may or may not be equivalent to the cost to add the component.
 2. The concept that the value of a particular component is measured in terms of the amount it adds to the value of the whole property or as the amount that its absence would detract from the value of the whole.

The term contributory value does not refer to the value of a specific component of a property being analyzed, independent of the subject property. Contributory value refers to that portion of the market value of the subject property that is attributable to the specific component of the subject property (land, buildings, site improvements, timber, mineral rights, etc.) that is being analyzed. The concept of the contributory value of a component of a property is the basis of the value of the part taken, and the determination of the value of the part taken is a necessary step in the breakdown of the findings of the before and after rule.

2.4.2.2 - Following the Unit Rule in the Allocation Process

Appraisals prepared for WisDOT under REPM/Chapter 2 are intended for use in the eminent domain (condemnation) process, and are condemnation appraisals, as recognized in the definition for the unit rule (see REPM/Subsection 2.4.2). As condemnation appraisals, the principles, concepts and methods applied to appraisals prepared under REPM/Chapter 2 are required to adhere to the regulations, statutes and case law that address the process of developing and reporting condemnation appraisals. These rules may not necessarily affect appraisals prepared for purposes other than eminent domain, but they must be applied to appraisals prepared for eminent domain (condemnation).

One of the issues that can complicate the preparation of condemnation appraisals is the need to allocate the value determinations arrived at in the appraisal process. In the case of a total taking, it may be necessary to allocate the before value of the subject property between land and improvements. The complicating factor in the allocation process is that, under the rules for condemnation appraisal development, the appraiser must also adhere to the unit rule (undivided fee rule) as discussed above. In adherence to the unit rule, it is not permitted to separate physical components of a property, such as the site improvements and the land; value the components individually and then add them together, to estimate a value for the property being appraised (a cumulative appraisal). The appraiser may value the property in total (land and buildings) and then subtract the appraised value of the site as vacant to identify the contributory value of the improvements. Under this method, the value of the subject property as improved will reflect the undivided fee value of the subject property, the estimated land value may reflect the value of the subject's site under an extraordinary assumption, and the resultant (residual) value of the buildings would not depart from the unit rule. This method would be consistent with the unit rule and still provide a reasonable allocation of the subject property between land and buildings.

The following example will show how an improper allocation that does not adhere to the unit rule can result in an improper value finding:

Assumed facts for the example:

- Estimated market value of a residence (as improved) in an area transitioning to commercial - \$100,000.
- Estimated value of the site based upon a commercial use - \$90,000
- Estimated value of the site based upon a residential use - \$20,000

	Improper Allocation	Allocation Per Unit Rule
Land Value	\$90,000 (commercial value)	\$90,000 (commercial value)
Building Value	*\$80,000 (residential value)	**\$10,000 (transitional value)
Total Value	\$170,000 (mixed value)	\$100,000 (market value)

*\$100,000 market value - \$20,000 residential lot value = \$80,000 residential improvement value

**\$100,000 market value - \$90,000 commercial land value = \$10,000 transitional value of the improvements

The proper allocation maintains a consistent highest and best use for the property. The market value of the subject property and commercial land value are consistent with market data, and the residual transitional value for the improvements recognizes the property's transition to a commercial use, while still recognizing that the buildings will continue to contribute some value until the property is cleared for eventual commercial development.

The above discussion does not eliminate the possibility of valuing the land and improvements separately, and then adding them together when the appraisal problem dictates that this is the only reasonable valuation method available. However, the need for the use of this method must be clearly explained in the appraisal report, and care must be taken to avoid those inappropriate value effects that occur when not adhering to the unit rule.

2.4.3 - Valuation of Site Improvements

For the purposes of REPM/Chapter 2, the term site improvement will be used to refer to any improvement to the subject property, except for primary building structures (examples: residences, commercial or industrial buildings, barns, etc.). Examples of site improvements include, but are not limited to, landscaping, driveways, fencing, wells and septic systems, irrigation systems, hardscaping, walls, etc.

The majority of WisDOT's right of way activities consist of partial acquisitions from larger parcels. The land components of these partial acquisitions primarily consist of fee takings; PLE; TLE or any combination of the above. There are other less common acquisitions; however, they all have the potential to contain, or affect, site improvements that will need to be addressed in an appraisal.

When site improvements are acquired, their valuation will be based upon their contributory value to the larger parcel in the before condition. There may also be a potential for severance damages, to the remainder of the larger parcel, resulting from the acquisition of the affected site improvements that will need to be addressed by the appraiser.

The following subsections will address the specific valuation issues associated with a number of typical site improvements affected by partial acquisitions. The methodologies presented are WisDOT's preferred methods. They are not to be construed as the only methods available to the appraiser. However, if the appraiser departs from the preferred methodologies, then they will need to provide support within their appraisal report for the method(s) employed.

The situations and methodologies presented do not cover all potential scenarios that could possibly exist. If the appraiser experiences an appraisal problem that does not fit a presented scenario, they are encouraged to discuss their particular circumstances with the assigned review appraiser.

2.4.3.1 - Encroachment Identification

An encroachment is a condition where a private site improvement, or land use activity extends into existing public roadway right of way. During the process of determining whether there is a potential for a proposed acquisition to result in the need to acquire site improvements, the appraiser must consult the project encroachment report. This will

help to determine if any of the potentially impacted site improvements are encroaching on the public right of way. If the report identifies a site improvement as an encroachment, the appraiser should confirm this condition with the project engineer. If subsequent right of way staking appears to contradict the encroachment report and suggests that an item identified as encroaching is in fact not encroaching, the appraiser should consult with the project engineer. If the right of way staking appears to indicate that an item, not identified in the encroachment report, is encroaching, the appraiser should consult with the project engineer.

The method for valuing encroaching improvements will depend on the nature of the improvement, the history of the affected property and any of a number of variables unique to the larger parcel and the project area. If the appraiser identifies an encroaching site improvement they must consult with the assigned review appraiser and the project manager to determine the appropriate method for dealing with the encroaching improvement in the appraisal.

2.4.3.2 - Acquisition Options for Affected Site Improvements

Once it has been determined that a site improvement, which is located within the area of the proposed acquisition, is not encroaching, then it will be necessary to determine whether or not the affected improvement will be acquired. The appraiser should utilize the following guidance in determining whether a non-encroaching site improvement should be valued for acquisition:

- If the site improvements fall within a fee taking then they will need to be acquired, even if they will not be removed as part of the current project for which the appraisal is being completed. This is because the improvements will fall within the new highway right of way and be under the control of WisDOT. WisDOT will then have the right to remove the improvements at any time after their acquisition.
- If the site improvements fall within an easement acquisition, then it must be determined if the project activity within the easement will result in the removal of the improvements.
 - If the activity will not result in the removal of the improvements, then they will not be acquired, and they will not need to be valued.
 - If the improvements will be removed as a result of the construction activity within the easement and will not be replaced as part of the project, then the improvements will need to be acquired and must be valued in the appraisal report.
 - If the project engineer cannot specifically determine if a site improvement within an easement area will be impacted by the proposed construction project, or if the appraiser is directed by the regional office to assume that a site improvement will be removed, then the improvements will need to be valued in the appraisal report.

2.4.3.3 - Fencing

Section 32.09(6)(g), Wis. Stats. addresses fencing, specifically, as an item of loss or damage to be considered in the estimation of compensation.

(g) Cost of fencing reasonably necessary to separate land taken from remainder of condemnee's land, less the amount allowed for fencing taken under par. (a), but no such damage shall be allowed where the public improvement includes fencing of right-of-way without cost to abutting lands.

In a partial acquisition of a larger parcel, if fencing is determined to be impacted by the proposed acquisition, or subsequent construction project, the potential impacts must be considered by the appraiser. The appraiser must determine the contributory value of the impacted fencing, and whether the potential loss of the impacted fencing will result in an identifiable severance damage. Before the appraiser can begin the task of valuing any fencing impacted by a partial acquisition from a larger parcel, there are several issues that need to be addressed:

- The location of the fence in relation to the existing right of way line should be checked since the compensability of the impacts to the fencing will be directly related to the location of the fencing.
 - If the fencing is located so far within the existing right of way that it is obvious that the property owner did not attempt to place the fence on the right of way line, then the fencing is encroaching on the highway right of way and no compensation for the encroaching fencing is warranted. If this condition exists, then the appraiser should consult with the project engineer to verify the right of way location in relation to the affected fencing.
 - If the fencing is located within the existing right of way, but sufficiently close to the right of way line to suggest that the owner attempted to recognize the line, then the impacts to the fencing should be considered and compensation estimated. If this condition exists, then the appraiser should consult with the project engineer to verify the right of way location in relation to the affected fencing.
 - If the fencing is located off the existing right of way, then the impacts to the fencing should be considered and compensation estimated.
- The appraiser must determine the condition of the impacted fencing. This is necessary to establish a depreciation factor for the calculations used to estimate the contributory value of the impacted fencing.
- The appraiser must determine how the fence is being used and whether it is part of a larger, functioning fenced perimeter. This will aid in the estimation of the contributory value of the impacted fence and the determination of whether there is a possibility for the existence of severance damages (cost to cure) resulting from the loss of the fencing. This will also identify whether there is a possible need for an allowance for the installation of additional fencing in the calculation of the cost to cure, or a possible need for temporary fencing.
- The appraiser must identify the type of fencing impacted and the materials used. This includes determining whether the affected fencing includes any gates, specialty corners or any non-typical building materials specific to the larger parcel.
- The appraiser will need to explain their final determination of the location, condition and utilization of the fencing in the appraisal report, and provide supporting evidence in the form of photographs, mapping and feedback from the project engineer.

The following are the department's preferred methods of estimating the contributory value of acquired fencing:

- The preferable method of valuing the acquired fencing is for the appraiser to abstract a contributory value for the impacted fencing from market data through the use of matched pairs or a market analysis.
- In the likely absence of market data, given the relatively minor value impacts of the lost fencing, the depreciated reproduction cost of the acquired fencing would be an acceptable representation of the contributory value of the affected site improvement. If the appraiser utilizes a cost service to estimate the replacement cost of the fencing acquired, then the cost service must be cited, and the appraiser's calculations must be included in the appraisal report. If the appraiser utilizes a local contractor to obtain an estimate of the reproduction cost of the fencing, then a copy of the estimate, or an email documenting the amount of the estimate must be included in the appraisal report. Appraiser citation of undocumented verbal estimates is discouraged and should be approved by the assigned review appraiser in advance of submitting the first draft of the appraisal report. The appraiser must provide analysis in the appraisal report to support their estimation of depreciation applied to the replacement cost of the affected fencing.
- As stated in REPM/Subsection 2.4.3, if the appraiser departs from the preferred methodologies, then they will need to provide support within their appraisal report for the method(s) employed.

The contributory value of the fencing acquired should be shown as part of the acquisition, not as an additional compensation, and should be subtracted from the before value to determine the after value of the remainder property.

In addition to the contributory value of the fencing acquired, there is a potential that the loss of the affected fencing may result in severance damages to the remaining site and improvements. The following items should be considered in determining if severance damages exist, and, in the event that they do exist, how the severance should be estimated:

- If the acquired fencing is not part of a functioning fenced perimeter (fencing structure), or does not act as a security barrier, then it is unlikely that the loss of the fencing will have any impact on the value of the remaining property.
 - Unless the appraiser can show market support for the existence of severance damages resulting from the loss of the affected fencing no cost to cure for the loss can be estimated.
- If the acquired fencing is part of an enclosed fencing structure (pasture, barn yard, kennel, play area, residential yard, etc.) then the appraiser may assume that the loss of the affected fencing will render the remaining fencing structure of little or no value to the remainder (severance damage). A statement of this fact will usually be sufficient to qualify an adequate level of severance damage to justify appropriate cost to cure (see REPM/Subsection 2.4.5.2) measures.
 - The cost to cure the loss of the affected fencing would logically be the cost to install a replacement fence at the proposed right of way line. This would include the cost of any necessary replacement gates, and any modifications to the remaining fence needed to accept the newly installed fencing.

- Once the cost to restore the fencing structure is determined, then the estimated contributory value of the fencing acquired must be subtracted from the replacement cost to avoid double paying for the affected fencing (once as an acquisition and once as a severance to the remainder).
- If the enclosed fencing structure, that the affected fencing is a part of, is in active use (containing animals or providing safety and security to people) and the proposed acquisition includes a TLE, that would not allow for the permanent construction of the replacement fencing at the new right of way line during construction, then an allowance for temporary fencing may be required. Even though the impacts to the enclosed fencing structure are temporary, there is a reasonable basis for the appraiser to indicate the existence of severance damages. These severance damages would likely be based upon either the permanent loss of use of the area within the TLE if the permanent fence were constructed at the TLE line, or the loss of full enjoyment of the entirety of remainder property during construction because of the lack of containment or security within the fencing structure.
 - The potential need for temporary fencing should be discussed with the project manager and the property owner to determine the actual needs for the fencing and the most appropriate type of fencing to propose.

The amount of the cost to correct the impacts of the loss of the affected fencing (the cost to acquire the affected fencing plus the calculated cost to cure severance damages) should be shown as part of the acquisition, not as an additional compensation, and should be subtracted from the before value to determine the after value of the remainder property.

The cost to move the affected fencing is a relocation issue, and not an acceptable method of estimating the contributory value of the fencing acquired. If the appraiser is informed at the time of the assignment, that the affected fencing will be acquired, then the appropriate valuation method is to determine the fencing's contributory value based upon the valuation methods outlined above. If, at the time of acquisition, however, the acquisition agent and the property owner agree that the fence should be moved under relocation, then the contributory value of the affected fencing and the cost to cure the loss of the affected fencing should be subtracted from the offer by the acquisition agent (based upon the allocated contributory value and cost to cure in the appraisal report), and a relocation advisor should be contacted to handle the relocation of the fencing. The need for the temporary fencing may still be a valid cost to cure, but this determination should be based upon the advice of the relocation advisor.

2.4.3.4 - Driveways

Driveways are considered to be site improvements that contribute value in two distinct ways. The first way that driveways contribute value is that they provide access to the subject property. If WisDOT changes access to the subject site and this change affects the market value of the larger parcel, in general, or the contributory value of the driveway specifically, compensation may be appropriate. Value loss due to an access change will be discussed in REPM/Subsection 2.4.4.5. The current subsection deals with the second way that driveways contribute value; as a physical improvement to the site. The act of installing a driveway requires effort and expense, and the existence of the resultant site improvement is assumed to contribute value. Therefore, in a partial acquisition of a larger parcel, if a driveway is impacted by the proposed acquisition, or subsequent

construction project, the potential impacts must be identified and considered by the appraiser.

In the appraiser's analysis of the proposed acquisition's possible impacts to the driveway in question, there is a statutory requirement to consider. Section 86.05, Wis. Stats. states that: whenever it is necessary, in making any highway improvement to cut or fill or otherwise grade the highway in front of any entrance to abutting premises, a suitable entrance to the premises shall be constructed as a part of the improvements. Thereafter each entrance shall be maintained by the owner of the premises. As a result of this statute, generally, all affected driveways are restored. To determine the physical impacts to the driveway being analyzed, the appraiser should review the project plan & profile for driveway placement and road proximity, determine which driveways will be replaced during construction, and summarize the findings in the appraisal report. Any questions regarding the potential impacts to a driveway should be directed to the project engineer.

The appraiser should provide a clear description of the driveway(s) being affected, including the in-place driveway materials (gravel, asphalt, concrete, paver stones, etc.) and its condition. The description of the driveway(s) should be noted in the subject property information (site improvements) section of the appraisal report (see REPM/Subsection 2.3.5, Item 12(F)). The appraiser should give the approximate location of all driveway(s) that serve the property. A good way to address the location of the driveway(s) is by reference to a property sketch, or some other mapping or aerial photograph, where they can be identified and/or by referencing the nearby highway stationing cited on the right of way plat. The purpose of the driveway(s) and the need for them should also be addressed. Under the appraisal report's description of proposed acquisition, any change in the property's driveway should be stated. The appraiser should indicate whether the affected driveway will be replaced in construction and what materials will be used for the replacement. The report's after condition description of the subject property should cite any changes from the before condition that will occur and what effect it may have on the driveway, specifically, and the remainder property, in general.

The following are scenarios for possible impacts to an affected driveway, and the preferred valuation solutions:

Scenario #1: WisDOT is replacing all of the affected driveway in like kind during construction (replacement square footage and driveway materials are the same or similar).

Example: WisDOT is acquiring a 20' wide strip of new fee that includes 20 linear feet of an existing driveway.

Valuation Solution: Generally, the owner should not be compensated for the 20' of existing driveway within the fee taking if the edge of the roadway is not moving (the driveway is not being shortened), and WisDOT is replacing the entire 20 feet within the area of fee taking in like kind.

Scenario #2: The replacement driveway materials included in the project plans are considered to be inferior to the original driveway materials.

Example: The original driveway is constructed with paver stones, and the replacement material will be concrete.

Valuation Solution: The appraiser should discuss the situation with the assigned review appraiser and project engineer to arrive at an appropriate method for valuing the impacts.

Scenario #3: There is a fee acquisition together with a physical shortening of the subject's driveway (WisDOT is not replacing all of the originally affected driveway in like kind).

Example: Under the example above, the driveway, which was originally 80 feet long is reduced in length to 60 feet. As a result of the fee acquisition and subsequent construction project, the edge of the roadway will shift and approximately 20 feet of the existing driveway will be acquired.

Valuation Solution: Compensation for the acquired driveway should be based upon its contributory value. If the appraiser is able to abstract a contributory value for that portion of the driveway that is not being replaced in like kind, from market data, that would be the preferable method of valuing the acquired driveway length; however, it is highly unlikely that this type of data will be available. Given the likely absence of market data, combined with the relatively minor market value impacts of the lost driveway length; the depreciated replacement cost of the acquired driveway square footage would be an acceptable representation of the contributory value of the affected site improvement. If the appraiser utilizes a cost service to estimate the replacement cost of the driveway segment acquired, then the cost service must be cited, and the appraiser's calculations must be included in the appraisal report. If the appraiser utilizes a local contractor to obtain an estimate of the replacement cost of the driveway segment, then a copy of the estimate, or an email documenting the amount of the estimate must be included in the appraisal report. Appraiser citation of undocumented verbal estimates is discouraged and should be approved by the assigned review appraiser in advance of submitting the first draft of the appraisal report. The value of the driveway acquired should be shown as part of the acquisition, not as an additional compensation, and should be subtracted from the before value to determine the after value of the remainder property.

If a driveway, or access point, is eliminated and/or relocated this is considered to be an issue more appropriately addressed under access control (see REPM/Subsection 2.4.5.5), or under a change in grade (see REPM/Subsection 2.4.5.3), depending on the reason for the removal, elimination or relocation. If the driveway is shortened by the proposed acquisition and construction project, to the point where it is of less value to the remainder property (less parking space available) then this change is best handled as a change in proximity (see REPM/Subsection 2.4.5.4).

The following references, which are associated with the exercise of police power as a tool for access management (see REPM/Subsection 2.4.5.5), are informational only:

- The statutory authority for WisDOT to issue entrance permits is presented in Section 86.07(2), Wis. Stats.
- Information regarding the issuance of a driveway permit, and the rights and responsibilities of the property owner and the state can be found in Wis. Admin. Code ch. Trans 231.

2.4.3.5 - Wells and Septic Systems

Wis. Admin. Code ch. SPS 383 refers to septic systems as Private Onsite Wastewater Treatment Systems (POWTS). Since the appraiser will be required to determine the legal status of the septic systems affected by any proposed acquisitions, it would be advantageous for them to utilize the statutorily recognized terminology in their research. For this reason, this section of Chapter 2 of the REPM will utilize the term POWTS when referring to septic systems; however, this is not an officially recognized WisDOT term that the appraiser will be required to use in their appraisal reports.

In a partial acquisition of a larger parcel, if it is determined that a private well or POWTS will be impacted by the proposed acquisition, or subsequent construction project, the potential impacts must be considered by the appraiser. The appraiser must determine the contributory value of the impacted well or POWTS, and whether their potential loss will result in an identifiable severance damage. Before the appraiser can begin the task of valuing any well or POWTS impacts, resulting from a partial acquisition from a larger parcel, the location and legal status of the affected well/POWTS must be determined:

- During the appraiser's initial inspection of the subject property (see REPM/Section 2.2), he or she will need to make every effort to locate the well and POWTS, even if they are not within the acquisition area. The appraiser should have the property owners point out the location of the well and POWTS at the time of the site inspection and prepare a sketch of the locations.
 - The use of an extraordinary assumption regarding the location of the well and POWTS should only be used if their locations cannot be determined, or if the locations are known and the acquisition is so close that the impacts are uncertain. In the case where potential impacts are uncertain the appraiser should work with the project engineer and a POWTS professional to define the extent of possible system impacts.
 - If the appraiser is able to determine that the right of way encroachment is fairly minimal and the physical impacts to the well or POWTS could be eliminated by a minor change in the proposed taking, then the situation should be communicated to the project engineer for possible plat modifications.
 - The locations of all wells and POWTS, on or off the proposed right of way, should be shown on the property sketch.
- If the appraiser confirms that any part of the well or POWTS is located within the acquisition area of the proposed project and will be negatively impacted, then they will need to determine the legal status of the well and the POWTS.
 - The preferred method for determining the status of the well is to check with the public health department of the county in which the parent tract is

located to see if any reports have been filed on the well for the subject property. If there is no report filed, then the appraiser can make the extraordinary assumption that the well is usable.

- The preferred method for determining the status of the POWTS is to check with the county office that handles land use, where POWTS evaluation report forms are filed. If a report has been filed for the subject's POWTS indicating that it has been found to be defective in conformance with the applicable provisions of Wis. Admin. Code ch. SPS 383, then the appraiser must obtain a statement from the county as to the legal status of the POWTS and their required remedies.
- If the county provides a report that indicates the subject's POWTS is illegal and orders for replacement have been issued by the county, then the appraiser should consider the POWTS as contributing no value. The before value of the larger parcel would have to recognize the value impacts to the subject's improvements resulting from a POWTS that requires replacement. These impacts would likely reflect the potential cost of a new POWTS installation and any other retrofitting costs; thus, eliminating any contributory value from the POWTS. This situation would also eliminate any potential for severance damages resulting from the impacts to the POWTS. If these circumstances are found to exist, the appraiser should clearly state the status of the POWTS in their appraisal report. Also, the acquisition agent and project lead person should be notified of the situation so that they can be prepared to deal with the issue during acquisition.
- If, during their inspection of the subject property, the appraiser notices any piping or drain tile emptying into the existing right of way, or sewage seeping out of the backslope of the ditch, then the project engineer should be notified. This could be evidence of an illegal POWTS.
- If the location of the well and POWTS as defined by the above documents is not consistent with the location established by the site inspection, then the appraiser should contact the regional project manager and or assigned review appraiser to determine the appropriate course of action.

If it is determined that a legal POWTS will be impacted by the proposed acquisitions, and the subsequent construction project, it will be necessary to involve a reliable local contractor to perform the necessary site testing, and system plan development for any corrective measures to ensure that the larger parcel will have a working POWTS in the after condition (the following steps will also apply to an impacted well). The fees for obtaining any needed site testing, and the itemized estimates, should not be included in the contract costs of the appraisal (for fee appraisers). They should be paid for by the state as an item separate from the contract.

- If the contractor determines that what remains of the POWTS can be modified to correct the loss of the affected portion of the system, their findings should be provided in writing and included in the appraisal report.
- If the contractor determines that the remains of the POWTS cannot be modified, and a new system will need to be installed, their findings need to be provided in writing. The contractor will then need to determine whether or not the remainder of the larger parcel will support a replacement system. These findings should also be provided in writing. The findings of the contractor should be included in the appraisal report.

- If the system can be corrected, or replaced on the subject's remainder, then the appraiser should obtain an itemized estimate or estimates from the contractor(s) to either bring the remaining system into compliance with code or to replace it with an appropriate new system that meets code. The estimate should cover all anticipated costs to retrofit the remaining plumbing within the subject's buildings, and any costs associated with the possible impacts to, or moving of, other site improvements.
- The costs to replace the affected system will need to be allocated between the contributory value of that part of the system acquired and the cost to cure the severance damages resulting from the system impacts. For example, if the taking hits any portion of the drain-field, the depreciated replacement cost of the entire drain-field will be identified as the contributory value of the site improvement acquired (Typically it is not possible to replace just a part of a drain-field). When that amount is subtracted from the estimated cost to replace the affected drain-field, the resultant amount would be the cost to cure the severance damages resulting from the impacts to the POWTS.

As with any cost to cure it is necessary to establish that a severance damage exists and that it exceeds the amount of the proposed cost to cure. The appraisal development process for the affected parcel will be required to identify any potential severance damages through a before and after analysis. However, the reporting of the findings of the before and after analysis, when addressing the loss of all, or a portion, of a POWTS, will not typically require the inclusion of the full before and after analysis performed to justify the use of a cost to cure severance damage. A general statement, in the appraisal report, to the effect that the appraiser has conducted a before and after analysis of the possible value impacts of the loss of a working POWTS and has determined that the absence of a working POWTS in the after condition would render the subject's remaining buildings uninhabitable, which would substantially reduce or potentially eliminate their contributory value to the remainder of the larger parcel, would suffice. This statement would serve to qualify the potential severance damages.

When considering the after condition of the subject property in the presence of a cost to cure for the loss of a well or POWTS, the appraiser must consider the possibility that the recommended cure may result in severance damages to the remainder. For example, if the construction of a new POWTS results in the placement of a mound system in the front yard of the affected parcel that negatively impacts the quality or condition of the site, or if the placement of a new well in the front yard of the subject's remainder is found to cause negative market perceptions of the subject's remainder. These possible value impacts, if they cannot be avoided when replacing the well or POWTS, would be considered incurable and could potentially result in severance damages to the remainder of the subject property, that would be in addition to the identified cost to cure.

2.4.3.6 - Landscaping

In a partial acquisition of a larger parcel, if it is determined that landscaping will be impacted by the proposed acquisition, or subsequent construction project, the potential impacts must be considered by the appraiser. The appraiser must determine the contributory value of the impacted landscaping, and whether the potential loss of the impacted landscaping will result in an identifiable severance damage. The elements of landscaping that will be dealt with in this section of the valuation of site improvements

will include vegetation (trees, shrubs and other plantings), planting beds and unrestored groundcover. Valuation issues associated with elements of hardscaping (the man-made features used in landscape architecture, e.g. paths, sidewalks, walls, retaining walls, raised planters, etc.) will be handled under REPM/Subsection 2.4.3.10.

During the field inspection of the subject property, the appraiser will note the specific items of landscaping that will be impacted by the proposed acquisitions and whether they are located within a fee acquisition, a permanent limited easement or a temporary limited easement (items of landscaping that are encroaching on the existing right of way should also be noted). An accurate inventory of the impacted items and their location within the proposed acquisition is essential in determining whether an item will be impacted (see REPM/Subsection 2.4.3.1 and REPM/Subsection 2.4.3.2) and compensation is appropriate. The appraisal report must contain the complete inventory of impacted landscape items, photos of the impacted items, and the acquisition area (Fee, PLE or TLE) that they are located within. Any estimates of replacement costs for the impacted landscape items must be consistent with the reported inventory, or the differences explained (example: if a 24-inch oak is replaced with two 2-inch maples because the appraiser considered them to contribute equally).

Typically landscaping only has a contributory value to an improved property, in part because the act of improving a vacant site would likely involve the removal of any existing landscaping. The appraiser may encounter a situation where a vacant site has planned landscaping present that will be affected by the proposed acquisition. If it is the appraiser's opinion that landscaping on a vacant site contributes value, they are encouraged to discuss the valuation of the affected landscape items with the assigned review appraiser.

The issue of landscape valuation will be divided into two distinct categories; commercial landscaping and residential landscaping.

Landscaping for Commercial Property:

The type and quantity of landscaping installed on commercial property is typically dictated by zoning requirements, market norms, or both. As a result, the loss of a portion of a commercial property's landscaping would have the potential to create a non-conforming status, based on zoning requirements, or the loss may place the subject property at a competitive disadvantage in the market place. Both of these possibilities have the potential to adversely affect the market value of a commercial type property. Therefore, a typical buyer of commercial property would be aware of the market, or zoning, requirements for landscaping and would factor corrective measures into their purchase price to deal with any potential deficiencies. For the above reasons, the contributory value of any landscaping, acquired under a partial acquisition from an improved commercial property, should be based upon its replacement cost. As stated above this method is consistent with the thought process of a typical commercial buyer. This method is also considered reasonable because commercial properties do not typically benefit from the existence of mature trees.

Landscaping is typically updated periodically to fit with market changes and expectations, so typical commercial landscaping is more easily replaced than mature residential landscaping that tends to include mature trees. Finally, by valuing commercial

landscaping based upon its replacement cost, the potential for severance damages resulting from lost landscaping is reduced.

If the appraiser utilizes a cost service to estimate the replacement cost of the landscaping acquired, then the cost service must be cited, and the appraiser's calculations must be included in the appraisal report. If the appraiser utilizes a local contractor to obtain an estimate of the replacement cost of the landscaping, then a copy of the estimate, or an email documenting the amount of the estimate must be included in the appraisal report. Appraiser citation of undocumented verbal estimates is discouraged and should be approved by the assigned review appraiser in advance of submitting the first draft of the appraisal report.

Landscaping for Residential Property:

The estimation of the contributory value of residential landscaping, impacted by a proposed acquisition or subsequent construction project, is very subjective and dependent on the appraiser's understanding and analysis of the subject property's real estate market.

WisDOT's preferred method for the appraiser to develop their understanding of landscaping's contribution in the local residential market is the allocation method. This involves the allocation of improved sales into their 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, at a minimum, attempt to allocate each of the improved sales utilized for the appraisal project to develop an understanding of the contributory nature of landscaping in the subject's real estate market.

If an appraisal project does not require the identification of improved sales, or if the affected parcels only have minimal landscaping impacts, then the following chart can be used as a valuation guide. The generalizations presented in the chart represent the total contributory value of a property's landscaping and are based upon multiple allocation studies conducted by WisDOT staff appraisers and private fee appraisers. The information contained in the chart should only be used as a guide in the valuation of landscaping on improved residential properties. The appraiser retains responsibility for testing the results of any application of the presented generalizations for reasonableness as applied to the property being appraised. The value of landscaping varies according to the quality and arrangement of the components of the landscape design, as well as 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.

Quality	Description	Landscaping Contribution
Excellent	Landscape appears to be professionally designed and installed, well-maintained trees and shrubs. Lawn is clean and highly manicured.	8 to 10%
Good	Well-designed with good placement. Vegetation is well maintenance, with pruning and fertilization above average. Lawn is clean and healthy.	6 to 8%
Average	Unplanned layout of plantings, with average pruning and maintenance. Lawn has some weeds and thin areas.	4 to 6%
Fair to Poor	Native trees, unpruned shrubs and poorly maintained plantings. Lawn has thin areas and weeds.	2 to 4%

The landscaping contribution (percentage) would be applied to the total value of the affected parcel to establish the total contributory value of all of the subject property's landscaping.

Since the appraiser will typically only be valuing the effects of a partial acquisition on a larger parcel's landscaping, the appraiser would need to estimate what percentage of the property's total landscaping is being impacted and then apply that percentage to the contributory value of the total landscaping. In their appraisal report, the appraiser must discuss the larger parcel's total landscaping and then the affected components to support the percentage impact determination. The description of the total landscaping should utilize the terms and definitions provided in the above chart.

If the landscape impacts involve specialty plantings, screening, or the possibility of severance damages, the appraiser is advised to discuss the impacts with the assigned review appraiser.

As stated in REPM/Subsection 2.4.3, if the appraiser departs from the preferred methodologies, the appraiser will need to provide support within the appraisal report for the method(s) employed.

2.4.3.7 - Drain Tile and Agricultural Irrigation Systems

During the appraiser's initial inspection of the subject property (see REPM/Section 2.2), they need to make every effort to determine if the proposed acquisition or construction project will have the potential to impact existing drain tile or agricultural irrigation systems. The appraiser should report all tile discoveries to the project engineer so that they can be investigated and put on the construction plans.

Drain tile:

This general class of site improvement covers several sub-classes, each of which has its own set of considerations and valuation issues:

- Clear water drains – typically involve drains from buildings into adjacent highway ditches. In general, any clear water discharges from 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 to perpetuate the continued operation of the drain tile, the impact is considered a severance damage to the remaining improvements and not as an acquisition of a site improvement. The severance damages would be measured by determining potential market impacts to the serviced improvements. The cost to cure the severance damages would address the cost to redirect the drain tile to an alternate outlet.
- Field tile systems – cover those tile systems that are designed to drain entire agricultural fields, or unwanted wetlands in agricultural areas. Field tile outlets will be perpetuated if possible. If they cannot be perpetuated the appraiser should get a tile location map from the owner of the larger parcel or installer of the field tile. If it is possible for the system to be modified to preserve the site drainage, then the costs to make the modifications would be considered a cost to cure the loss of the functionality of the remaining tile and the potential loss of value to the remaining site. In general, field tile has a contributory value only as a functioning system, which can be determined in the market by comparing land sales that have beneficial tile in place to sales where tile is needed but not installed. The severance damage would be equivalent to the loss of the contributory value of the tile system. Impacts to the system will not be stated as an acquisition, but rather as a severance damage to the remainder.
- Overflow tile lines from drywells or illegal septic systems are not legal, and there should be no compensation for impacts to them. Milk house drains and laundry drains are also generally illegal and there should be no compensation for impacts to them.

Agricultural irrigation systems:

In general, agricultural irrigation systems have a contributory value only as a functioning system, which can be determined in the market by comparing land sales that have a beneficial irrigation system in place to sales where irrigation is needed but not installed. Sales of irrigated land will often indicate a value for the irrigators (the towers and sprinklers) that is separate from the real estate. The wells and guy-wires are typically included as part of the real estate. So, comparing the real estate value of the irrigated land to the land value of the non-irrigated land will identify the contributory value of the well and guy-wires. The severance damage would be equivalent to the loss of the contributory value of the entire irrigation system (towers, sprinklers, well, guy-wires etc.).

Impacts to the system will not be stated as an acquisition, but rather as a severance damage to the remainder. When portions of irrigation systems are located in the acquisition area, a cost to cure the severance damages should be investigated. The appraiser should enlist the assistance of a local irrigation contractor to determine the feasibility of modifying the remaining irrigation system. If modification is possible, then the contractor should be asked to provide a written estimate of the costs and a determination of how many acres will be irrigated in the after condition. The non-irrigated

land in the after condition should be compared to the non-irrigated land in the before condition to determine the effectiveness of the modifications to the irrigation system. It may be possible to have a partial cost to cure and still have remaining uncured severance, so the appraiser is advised to consult with the assigned review appraiser to discuss the appraisal problem and the appraiser's options.

2.4.3.8 - Land Valuation in the Presence of Marketable Mineral Deposits or Timber Stands

The unit rule has been recognized by the courts and is employed by WisDOT in its eminent domain activities. As stated in the definition of the unit rule, provided in REPM/Subsection 2.4.2 the second aspect of the rule is that different physical elements or components of a tract of land (such as the value of timber and the value of minerals on the same land) are not to be separately valued and added together. This definition from The Dictionary of Real Estate Appraisal 6th Edition, published by the Appraisal Institute clearly states that in the valuation of lands that contain mineral deposits or timber, the value of the mineral or timber is not to be valued separately and then added to the market value of the land.

When valuing lands containing minerals or timber the existence of the mineral deposits or timber stands in or on land being appraised is an element to be considered in determining the market value of such land. 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 mineral deposits, or timber stands. In other words, sales of other lands with similar deposits or stands are the true measure of value. The potential value of minerals and timber are relevant only to the extent that they enhance the value of the whole property and would be considered a factor influencing the value of the land, and 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 this does not change the applicability of the unit rule. The land would still be valued with the recognition given to the existence of the minerals or timber and the value of the mineral or timber rights would be abstracted from the determined market value of the land. The abstraction is a question for the courts and will not typically be requested from the appraiser.

2.4.3.9 - On-Premise Signs

An on-premise sign, commonly referred to as a business sign, advertises goods and/or services produced or sold on the site on which the sign is located (the larger parcel). On-premise signs are typically recognized as personal property, and, if impacted, are addressed within the relocation program. When an appraisal assignment includes possible impacts to an on-premise sign the appraiser is advised to communicate with the relocation advisor assigned to the project to make sure that the affected sign is handled appropriately. If the sign cannot be relocated (zoning will not permit; there is no room on the remainder property or the replacement site; the actual structure will not handle being moved; etc.), then the appraiser will be asked to value the existing sign structure.

The following are the department's preferred methods of estimating the contributory value of acquired on-premise signage:

- If the sign is being valued as part of a total taking, then the valuation of the sign will be integrated into the valuation method employed. If the income capitalization or sales comparison approaches are utilized, then the sign structure will be part of the comparable data or addressed by any necessary comparable adjustments. If the cost approach is utilized, then the sign would be part of the depreciated cost analysis. If an independent valuation of the sign is required, then the depreciated replacement cost would be the most appropriate method of valuation.
- If the sign is being valued as a component of a partial acquisition, then the depreciated replacement cost of the sign structure would be the appropriate method of valuation. If it is determined that the sign cannot be moved to the remainder property, the appraiser will need to determine whether the loss of the affected signage will result in severance damages to the remainder, and whether the severance damages are curable or incurable. An example of possible severance damages resulting from the acquisition of an on-premise sign would include: If the remainder of the larger parcel has building improvements on it, the loss of signage resulting from the acquisition of the on-premise sign may cause severance damages to the improvements. If the sign can be replaced by a different type of signage, the severance damages may be curable. If the remaining site is too small, or zoning will not permit the placement of a new sign, the severance damages may be incurable. It is recommended that the appraiser discuss any potential severance and cost to cure methods with the assigned review appraiser.
- As stated in REPM/Subsection 2.4.3, if the appraiser departs from the preferred methodologies, the appraiser will need to provide support within the appraisal report for the method(s) employed.

If the appraiser utilizes a cost service to estimate the replacement cost of the on-premise sign acquired, then the cost service must be cited, and the appraiser's calculations must be included in the appraisal report. If the appraiser utilizes a local contractor to obtain an estimate of the replacement cost of the signage, then a copy of the estimate, or an email documenting the amount of the estimate must be included in the appraisal report. Appraiser citation of undocumented verbal estimates is discouraged and should be approved by the assigned review appraiser in advance of submitting the first draft of the appraisal report.

The appraiser must provide analysis in the appraisal report to support their estimation of depreciation applied to the replacement cost of the affected signage.

The appraiser is advised to communicate with the relocation advisor assigned to the project to make sure that the affected on-premise sign is handled appropriately (move, or value with possible severance damage). The appraiser must identify the existence of all affected signage within the descriptive portion of the appraisal report and whether it will be valued and acquired, or relocated. If the signage will be handled as a relocation issue, the appraiser should note that the affected sign will not be valued, and that it will be handled as an issue outside of the appraisal.

The cost to move the affected signage is not an appropriate measure of a sign's contributory value and will not be accepted upon review. If the appraiser is asked to value the affected signage and, at the time of acquisition, the acquisition agent and the

property owner agree that the signage should be moved under relocation, then the contributory value of the affected signage and any cost to cure should be subtracted from the offer, and a relocation advisor should be contacted.

On-premise signs, or business signs must not be confused with off-premise signs or billboards. Off-premise signs are typically signs that are located on an area across a street or road from the area where the business is conducted, or any area developed for erecting a sign. Issues associated with off-premise signs are addressed in Chapter 10 of the REPM.

2.4.3.10 - Miscellaneous Site Improvements

REPM/Subsection 2.4.3 has dealt with a number of common site improvements that are typically encountered by appraisers in the preparation of eminent domain appraisals. This section will not address any additional specific site improvements, but rather will establish some basic guidance for how to analyze and value any of the many site improvements that the appraiser may encounter. The following is the preferred methodology for addressing miscellaneous site improvements:

1. Using the guidelines provided in REPM/Subsection 2.4.3.2 the appraiser will need to determine what site improvements are impacted by the proposed acquisition, and whether they should be valued. The affected site improvements must be identified and described in the appraisal report.
2. The appraiser must determine if the affected improvements are consistent with the highest and best use of the larger parcel. If the improvements are not consistent with the highest and best use, then they may not have any contributory value. The appraiser's findings need to be discussed in the appraisal report.
3. Once the appraiser determines that an improvement will be valued then the depreciated replacement cost of the improvement would be the appropriate method of valuation. If the proposed acquisition is a partial taking the appraiser will need to determine whether the loss of the affected improvement will result in severance damages to the remainder. The appraiser will also need to determine whether the severance damages are curable or incurable. It is recommended that the appraiser discuss any potential severance damages and cost to cure methods with the assigned review appraiser.
4. As stated in REPM/Subsection 2.4.3, if the appraiser departs from the preferred methodologies, the appraiser will need to provide support within the appraisal report for the method(s) employed.

If the appraiser utilizes a cost service to estimate the replacement cost of the improvement acquired, then the cost service must be cited, and the appraiser's calculations must be included in the appraisal report. If the appraiser utilizes a local contractor to obtain an estimate of the replacement cost of the improvement, then a copy of the estimate, or an email documenting the amount of the estimate must be included in the appraisal report. Appraiser citation of undocumented verbal estimates is discouraged and should be approved by the assigned review appraiser in advance of submitting the first draft of the appraisal report. The appraiser must provide analysis in the appraisal report to support their estimation of depreciation applied to the replacement cost of the affected site improvement.

2.4.4 - Valuation of Commercial Fixtures

The following section applies to appraisal assignments involving a total taking of an improved commercial property, or a partial acquisition from a commercial property that includes the acquisition of a commercial building; a portion of a commercial building; or a mixed-use building that includes commercial activity. The valuation methods described herein are not required for partial acquisitions from commercial property that do not include the acquisition of building improvements. If a partial acquisition will result in significant severance damages to the building improvements, and the appraiser determines that the valuation of the improvements in the appraisal is necessary, the valuation methods prescribed herein would still be valid; however, the verification process need not be as extreme.

Fixture

- The Dictionary of Real Estate Appraisal, 6th Edition, published by the Appraisal Institute defines Fixture as:
An article that was once personal property but has since been installed or attached to the land or building in a rather permanent manner so that it is regarded in law as part of the real estate.

When eminent domain involves commercial property, there will be multiple professionals involved in determining whether individual articles are personal property, fixtures that are part of the real estate, or trade fixtures that can reasonably be removed from the property without extensive damage, and thus, again, returning to a designation of personal property. The owner's intent of how the article would be used and moved when installed is also a factor in determining whether it is appraised as part of the real property or relocated as personal property. Ownership and lease agreements also identify this intention.

The determination of what is personal property and what is real estate is further complicated by the appraisal methods employed by the RE appraiser, the availability of relocation benefits for displaced property owners to move their personal property, the intricacies of the negotiation process, and the need to ensure that payments for what is acquired and what is moved are not duplicative. The only way to avoid the complications associated with handling fixtures and personal property is through close communication and coordination between the RE appraiser, the fixture appraiser, the relocation advisor and the acquisition agent.

When an appraiser is faced with an appraisal assignment involving a total taking of an improved commercial property, or a partial acquisition from a commercial property that includes the acquisition of a commercial building; a portion of a commercial building; or a mixed-use building that includes commercial activity, their first action should be to contact the relocation advisor assigned to the parcel. If no relocation advisor has been assigned to the parcel, then the appraiser should contact the project manager and alert them to the need to assign a relocation advisor. Parcels involving the possible displacement of a commercial activity require close coordination between the appraiser and the relocation advisor to avoid double payments to displacees and an appropriate accounting/inventory of affected trade fixtures. The appraiser and the relocation advisor will coordinate to ensure that the services of a FF&E appraiser are secured to handle the actual valuation of the affected commercial fixtures. When the FF&E appraiser completes the FF&E report (appraisal report) the report must be reviewed by the relocation advisor, the appraiser and the project's lead worker/acquisition agent. If there is a disagreement, as to the designation of a specific item, the assigned appraiser, in conjunction with BTS-RE relocation staff, will make the final determination. Once the FF&E report is

accepted, the report will be provided to the assigned RE appraiser. The appraiser will not be asked, nor should they attempt, to value any of the personal property, or commercial trade fixtures contained within the subject property. Possession of the approved FF&E report will enable the real estate appraiser to properly exclude the identified fixtures from his or her appraisal analysis of the physical characteristics of the property being appraised. For this reason, the appraiser cannot submit the first draft of his or her appraisal report without first receiving the FF&E report (this requirement must be addressed in the appraisal scope of work agreement discussed in REPM/Subsection 2.1).

At times, the use of the income approach or sales comparison approach to value have the potential to result in the appraiser including some fixtures within their valuation of the subject property. This typically happens when the comparable sales or rental information includes fixtures that cannot easily be abstracted from the available data. For example, the comparable sale may benefit from a walk-in cooler or other kitchen equipment, or the rental rate may be for a property that has a functioning kitchen. In cases like these, the appraiser should:

When employing the sales comparison approach

1. Identify the specific fixtures that are included in the comparable data. The identification would include a description of the type, size and condition of the fixture.
2. Attempt to confirm, with either the buyer or seller, whether the specific fixtures contributed value to the transaction, and, if they did, what value was estimated for the identified items. The appraisal of improved commercial property requires the employment of extreme verification methods, which would include as extensive of an inspection of the interior of the comparable sale as the current owners will permit, and, if possible, interior photos.
3. If the appraiser is unable to confirm the amount that the fixture(s) contributed to the transaction he or she should utilize the information obtained through the confirmation process to obtain an estimated value for the fixtures included in the transaction from the FF&E appraiser and, or from historic FF&E appraisals available from previous appraisal assignments.
4. The estimated contributory values for the fixtures included in the comparable sales transaction will be subtracted from the unadjusted sales price as a transactional/property adjustment before any adjustments are made for market conditions (time adjustment).
5. Complete the valuation analysis of the subject property.
6. The appraiser should indicate in the appraisal report that the resultant value determination is reflective of the subject's RE value with no fixture values included.

When employing the income capitalization approach

1. Identify the specific fixtures that are included in the property being leased. The identification would include a description of the type and size of the fixture.
2. Attempt to confirm, with either the landlord or the tenant, whether the existence of the specific fixtures contributed to, or impacted the lease rate, and, if they did, how much of the lease rate was for the fixtures.
3. Often times the appraiser is required to work with published commercial rental data, or aggregate income information. When using this type of income data, the appraiser should inquire into the industry standards regarding the anticipated effects of the presence of commercial fixtures in rental property.

4. If the verification process described above results in a supportable adjustment to the income data, the appraiser should subtract the contributory income for the fixtures from the identified gross income (rent paid) for the comparable rental.
5. If there is insufficient information to determine if the commercial fixtures included in the comparable rental affected the lease rate, then the appraiser should assume that the commercial fixtures had no impact on the rental rate.
6. Complete the valuation analysis of the subject property utilizing the income data identified above.
7. The appraiser should indicate in the appraisal report that the resultant value determination is reflective of the subject's real estate value with no fixture values included.

The ultimate goal of this appraisal methodology is the identification of a value for the real estate being acquired that excludes all fixtures or personal property from the estimated market value. In this way, the negotiations for both the acquisition of the real estate and the acquisition of the fixtures or personal property can be conducted independently, and documentation of the agreed upon amount, or jurisdictional offer, will have sufficient information available to clearly indicate negotiated amounts for both the real estate and the fixtures or personal property. Adherence to these valuation steps, combined with close coordination between the appraiser, the relocation advisor and the fixture appraiser will help to avoid double payments and duplicative work.

Relocation issues associated with the identification, inventory and moving of personal property and fixtures is available in REPM/Section 5.7.

2.4.5 - Severance Damages

As stated in REPM/Subsection 2.0.2.1, The Appraisal Institute's Real Estate Valuation In Litigation 2nd Edition defines severance damages as the diminution of the market value of the remainder area, in the case of a partial taking, which arises (a) by reason of the taking, and/or (b) the construction of the improvement in the manner proposed.

The following are excerpts taken from the Yellow Book that discuss the issue of severance damages. The term severance damage has been added to the Yellow Book excerpts because the term is not typically utilized at the federal level, even though the concepts presented are consistent with WisDOT's definition of severance damage:

- In partial acquisitions when only part of a larger parcel is acquired, the value of the part acquired is not the sole measure of compensation; the injury (severance damage) or benefit to the part not taken is also to be considered. If the part not acquired, the landowner's remainder, is left in such shape or condition as to be in itself of less value than before, the owner is entitled to additional damages on that account.
- Compensable damages are not a distinct item to be added to compensation; rather, they are already reflected and automatically included in a before and after method of valuation (emphasis added).
- It is incorrect to think of severance damages as a separate and distinct item of just compensation apart from the difference between the market value of the entire tract immediately before the taking and the market value of the remainder immediately after the taking.

- Compensable (severance damage) damages may reflect a decrease in the market value of the remainder arising from (1) the government's planned use of the part acquired, and/or (2) the relation of the part acquired to the larger parcel.
- As with any element affecting value, damage to the remainder (i.e., diminution in value) can never be assumed but must always be fully supported by the facts of each situation.
- The extent to which the utility of a property has been impacted by the acquisition must be established by factual information and analysis and must never be assumed or based on speculation.

REPM/Subsection 2.0.1.6 states, in part - In the case of a partial taking of property other than an easement, the compensation to be paid by the condemner shall be the greater of either the fair market value of the property taken as of the date of evaluation or the sum determined by deducting from the fair market value of the whole property immediately before the date of evaluation, the fair market value of the remainder immediately after the date of evaluation. Case law in the state of Wisconsin has held that the only method to identify severance damages is the before and after appraisal method as covered in REPM/Subsection 2.0.2.1.1. WisDOT appraisers will adhere to the principle that any determination of possible severance damages will be the result of the prescribed before and after appraisal analysis performed during the development phase of the appraisal process, and not treated as a separate and distinct item of compensation that is added to the value determined for the part taken.

In the allocation of damages within an appraisal report, the appraiser will account for all severance damages, whether curable or incurable, in the determination of the after value of the remainder of the larger parcel. This is consistent with the principle that the only acceptable method of determining the existence of severance damages is through the employment of a before and after appraisal method, where severance damages are inextricably part of the after-value determination. The appraiser will, under no circumstances, allocate and report the severance damages, estimated by a cost to cure method, as an additional compensation.

The following subsections will assist the reader in identifying potential severance damages resulting from proposed takings and, or, subsequent construction projects. They will also address the state's preferred methods for documenting and measuring any identified severance damages. The scenarios covered by the subsections are not the only situations where severance damage can occur, and not all instances of the described scenarios will necessarily result in severance damages. This is a guide only, and the final determination of the existence or absence of severance damages is the responsibility of the appraiser.

2.4.5.1 - Incurable Severance Damages

In general, severance damages come in two basic categories: incurable and curable. An incurable severance damage is a loss in value to the remainder of a larger parcel, resulting from a partial acquisition, and, or a subsequent construction project, that cannot reasonably be physically or economically corrected.

Examples of incurable severance damages include the value impacts resulting from:

- An acquisition accompanied by a change in the grade of a roadway that eliminates a property's view of a lake
- An acquisition and roadway modification that places the driving lanes of a highway significantly closer to a single family residential structure
- An acquisition of access rights that results in a building site losing all physical and, or legal access and becoming landlocked

- An acquisition that results in a size reduction of a buildable site to a point where it is no longer buildable
- An acquisition that results in the elimination of a use that has been grandfathered in under the current zoning ordinances

The key feature in all of these situations is a change to the remainder of a larger parcel that cannot reasonably be corrected. There may be no way to physically correct some of the changes; some impacts could potentially be corrected by modifications to the remainder's improvements, that are very expensive; or the corrections might take the form of acquiring an adjacent parcel of land or an easement, which is a speculative correction. If a potential correction exceeds the value loss due to the acquisition and subsequent construction project, or is speculative in nature, then the severance damage is considered to be incurable. The only way to measure incurable severance damages is through the use of the before and after appraisal method (REPM/Subsection 2.0.2.1.1). If the appraiser is unsure whether a potential severance damage to a specific parcel is curable or incurable, they should discuss the impacts and the nature of the potential severance damages with the review appraiser assigned to the parcel.

2.4.5.2 - Curable Severance Damages (Cost-To-Cure)

The second type of severance damage is curable severance damage. A curable severance damage is a loss in value to the remainder of a larger parcel, resulting from a partial acquisition, and, or a subsequent construction project, that can reasonably be physically or economically corrected. This severance is established by using cost to cure methodology.

Cost to Cure (Severance Damages)

- A method for mitigating severance damages that can be physically and economically corrected (cured).

The Real Estate Valuation in Litigation 2nd Edition published by the Appraisal Institute suggests that the cost-to-cure method supports the before and after appraisal method. If a property with a deficiency is placed on the market, both the buyer and seller will consider the cost to cure the deficiency, if it is physically and economically curable. The price at which the property will sell is the value of the property as deficient or the value of the property without the deficiency minus the cost to cure the deficiency, whichever is higher. This statement supports the use of the cost-to-cure method to estimate the amount of severance damages, as well as to establish adjustments for the analysis of comparable sales used to estimate the after value of the larger parcel's remainder. However, when an appraiser analyzes the after-condition effects of any proposed acquisition, and subsequent construction project, it is a mistake to look at what is lost rather than what remains.

The Appraisal Institute's Real Estate Valuation in Litigation 2nd Edition state's that under no circumstances can the cost to cure measure of damage be applied if the cost to cure exceeds the diminution in value that would result if such cure were not undertaken. However, if the cost to cure is less than the diminution in the value of the remainder, the cost to cure measure of damage must be used. Care must be taken when employing the

cost-to-cure method of estimating severance damages. When employing the cost-to-cure method, major costs to cure, or multiple items of cost to cure on a single parcel may seem logical as individual components of value or items of mitigation but take on a completely different appearance when compared to the uncured severance damages that would exist without the prescribed cures. The check on any utilization of the cost to cure method of estimating severance damages must be a comparison to value impacts (severance damages) indicated by the before and after analysis.

The following are examples of the use of a cost-to-cure:

- The value impacts of: an acquisition accompanied by a change in the grade of a roadway that restricts the visibility of a commercial property, may be curable with the placement of new signage.
- An acquisition and roadway modification that results in a roadway along the side yard of a single family residential structure moving closer to the residence, may be curable with the placement of screening.
- An acquisition of access rights that results in a property's only driveway being eliminated, may be cured with the construction of a new driveway at a different location.
- An acquisition that takes a small portion of a site's fencing and leaves the remaining fencing with little or no contributory value, may be cured by fully paying to replace the acquired fencing.

The key feature in all of these situations is a change to the remainder of a larger parcel that can reasonably be corrected at a cost that does not exceed the severance damages that would occur if the impacts were not cured. The method used for calculating the amount of a curable severance damage is the cost-to-cure.

The cost-to-cure method of estimating curable severance damages involves the following steps:

1. Determine whether the remainder of the larger parcel has experienced any curable severance damage.
Note: In most situations, a curable severance damage will be readily identifiable; however, the appraiser will still have to identify and analyze the cause of the severance damages, and what parts of the remainder will suffer the value loss. Whether the curable severance damages are readily identifiable or require greater analysis to discover, the determination of the existence of a severance damage and whether it is curable must be supported by factual evidence.
2. Based upon a before and after analysis, determine the amount of value loss that would result from the identified severance damage if a cure were not undertaken.
Note: This value loss can either be quantified as an estimated dollar or percentage amount or qualified as the potential loss or reduction of the utility of a structure or site improvement. The before and after analysis employed to determine the amount of potential value loss resulting from the identified severance damage will range from a full before and after quantified analysis utilizing two different sets of comparable data, to a straightforward before and after qualified analysis that analyzes the anticipated physical impacts to the remainder resulting from the proposed acquisition and resulting construction project. The depth of the before and after analysis will be based upon the cause of the severance damage, the difficulty associated with curing the severance damage and the amount of the potential cure.

3. Depending on the nature of the proposed cost-to-cure, the appraiser will either obtain a detailed written estimate of the recommended cost to cure from a qualified contractor or perform their own estimate for the cost to cure.
4. If the cost-to-cure a severance damage is less than the uncured severance damage, the appraiser must use the cost-to-cure estimate to reflect the amount of severance damage to the remainder of the larger parcel. If the amount of the uncured severance damage is less than the estimate of the cost-to-cure the perceived severance damage, then the amount of the uncured severance damage must be used to reflect the amount of severance damage to the remainder of the larger parcel.
5. Whether the appraiser obtains a cost-to-cure estimate from a professional, or develops their own, the appraisal report must contain a detailed description of the nature of the curable impacts, the recommended method for correcting the impacts and a detailed cost estimate for the recommended cure.
6. The appraisal report must contain adequate factual data to support the existence of curable severance damages; a discussion of the appraiser's quantified or qualified analysis of the severance damages without the proposed cure; and sufficient analysis to support the use of the cost-to-cure to mitigate the potential severance damages.

Steps 1 through 4 above are part of the analysis, or development, phase of the appraisal process. If the steps are completed properly, they fulfill the requirement, under Wisconsin case law, that the appraiser employ a before and after analysis in the identification of potential severance damages. This analysis will also be adequate to support the identification of severance damages that will justify the use of the cost-to-cure method of estimating severance damages. Steps 5 and 6 above are part of the reporting phase (preparation of the appraisal report) of the appraisal process. The reporting detail required to describe the before and after analysis performed by the appraiser is dependent upon the complexity of the analysis performed under steps 1 through 4. If the appraisal problem required the use of a full before and after analysis to quantify the anticipated severance damages, because of the difficulty and cost of curing the potential impacts, then the documentation within the appraisal report should be adequate for the reader to understand the appraiser's conclusions. If the impacts of a partial acquisition are clearly minor and easily cured, then the appraisal report may only need to qualify the potential severance damages and the estimated costs to cure the anticipated impacts. In reporting the findings of the appraiser's severance damage analysis, the appraiser should always point out that the analysis undertaken in the development of the identified severance damages, whether a cost to cure method is employed or not, included a before and after analysis of the impacts of the proposed acquisition and the corresponding construction project.

If the appraiser is unsure whether the use of the cost-to-cure method, for a specific parcel, is appropriate they should contact the review appraiser assigned to the parcel being appraised.

2.4.5.3 - Severance Damages Resulting from A Change of Grade

Wisconsin State Statutes dictate that, in the case of a partial acquisition, the appraiser will, in their before and after analysis, consider a number of items of loss or damage. One of the items to be considered is a loss or damage resulting from a change in grade.

Section 32.09(6)(f), Wis. Stats. states that the appraiser will consider damages to property abutting on a highway right-of-way due to change of grade where accompanied by a taking of land in their before and after analysis.

The most obvious use of the term change of grade refers to instances where the roadway is physically raised or lowered however, change of grade can also refer to changes at the slope intercept line. This is the point where the proposed construction changes, or the new ground-line, meet the existing ground-line. Changes at the slope intercept line typically take the form of slope changes. The slope from the property, towards the roadway can increase (get steeper) or decrease (get less steep), and the changes don't necessarily result just from a raising or lowering of the roadway. They can also occur from a widening of the roadway, or modifications to a ditch, that result in a change of the in-slope (the slope down from the edge of the roadway to the ditch bottom or slope intercept line) or the backslope (the slope up from the edge of the roadway or ditch bottom to the slope intercept line).

A change of grade is not automatically assumed to result in a loss in value to the remainder of the larger parcel (severance damage). The appraiser must analyze the physical impacts to the remainder to determine the possible impacts to the after value of the remaining site and improvements. The impacts can range from minor, or insignificant, with only small adjustments to a slope, which will not impact the remainder's access or site maintenance; to significant slope modifications that will adversely affect access to the remainder; to major changes to the elevations of the roadway that will negatively affect the visibility in, or the view out, of the remainder. If the appraiser is unclear as to the exact nature of the physical impacts of the proposed grade change, they should consult with the project engineer.

Value impacts to the remainder of a larger parcel, resulting from a change in grade, will typically result from changes to a subject's physical access or issues associated with view, although these are not the only possible sources of severance damage resulting from a grade change. In addition to identifying the possible sources of severance damage, the appraiser will need to determine whether the damages are curable or incurable. Whether a damage is curable, or incurable will depend on the nature of the physical change, local zoning ordinances and the alternatives available for curing the potential damage. If an appraiser identifies possible changes to the remainder's access, then they should follow the guidance provided by REPM/Subsection 2.4.5.5. If a grade change, results in changes to the remainder's visibility or view, the appraiser will need to consult local zoning ordinances to determine the range of possible cures, such as providing for signage. The appraiser will then need to determine, using a before and after analysis as described in REPM/Subsection 2.0.2.1.1, whether any of the potential cures would be supported by the market. If market data does not support any of the potential cures, then the severance damages must be considered incurable and the value impacts identified by the before and after analysis will reflect the loss in market value. If the appraiser indicates that the severance damages are curable, then they must follow the guidance provided by REPM/Subsection 2.4.5.2.

As with all damages the existence of severance damages must be based upon factual evidence, and not be speculative in nature. Evidence of severance damages must be included in the appraisal report.

If the appraiser is unsure about the potential for severance damages on a specific parcel they should contact the review appraiser assigned to the parcel being appraised.

2.4.5.4 - Severance Damages Resulting from A Change in Proximity

A change in proximity generally refers to a change in the distance between the highway right of way line and a building or improvement. This change may have impacts on the contributory value of the existing improvements; however, the issue of proximity does not generally impact the value of the remaining site. A change in proximity affects improvements because they cannot be moved and the nearness of the right of way line to the improvement can impact the legal status, or marketability of the improvement. The impacts to the site will typically result from market impacts, or a change in highest and best use, based upon a change in size or shape.

When analyzing the impacts of a change in proximity the following items must be considered and addressed in the appraisal report:

- What is the distance between the improvement and the right of way line (setback) in the before condition? This is factual data based upon available survey and plan data. If the available mapping does not provide this information, the appraiser may need to request it from the project engineer.
- Does the before condition setback meet minimum zoning requirements? Is the subject property in conformance with the minimum setback requirements? This is factual data based upon existing zoning ordinances.
- How does the before condition setback compare to similar properties in the subject's market area? This data will take the form of comparable sales data as well as a visual inspection of the neighborhood and an analysis of available aerial photography.
- What is the distance between the subject's improvement and the right of way line in the after condition? This is factual data based upon available survey and plan data. If the available mapping does not provide this information, the appraiser may need to request it from the project engineer.
- Does the change in proximity alter the zoning conformance of the subject property in the after condition? This is factual data based upon existing zoning ordinances.
- Does the change in the setback of the subject's improvement (proximity change) affect the subject property's ability to compete with the same properties that were considered similar to the subject property in the before condition? This data will take the form of comparable sales data as well as a visual inspection of the neighborhood and an analysis of available aerial photography.

The determination of the possible existence of severance damage resulting from a change in proximity is most appropriately arrived at through a before and after analysis. The analysis of the before and after conditions of the subject property must be based upon the factual data identified above, not on a perceived loss to the owner of the subject property resulting from a physical change to the affected parcel. The owner will undoubtedly perceive the physical change to the subject property, resulting from the change in proximity, but will the market indicate a change in value?

The following is a list of items to consider in the appraiser's before and after analysis:

- If a house is closer to the right of way line (setback), in the before condition, than typical houses in the neighborhood then it will already be negatively impacted by the proximity of the right of way line, any further reduction in the setback will likely have less of an impact than a similar reduction would have on a house with setbacks more typical for the market.
- If a house is farther from the right of way line (setback), in the before condition, than typical houses in the neighborhood, then any value loss resulting from a reduction in the setback will be limited to the amount of any value premium attributable to the larger than normal setback. This should be true as long as the change in proximity does not create a situation where the after condition of the house becomes less than what is typical for the neighborhood.
- When the effects of a change of proximity are extreme in nature, the appraiser must recognize that each house has a minimum basic shelter value that will always exist. It is highly unlikely that a change in proximity, that does not involve the removal of a house, will ever be so severe that a house will have no value in the after condition.
- There may be a temptation to tie a change in proximity to changes, or a lack of changes, in the centerline or edge of the driving lane resulting from the proposed construction project. This temptation must be avoided in performing the before and after analysis. The market analysis should be tied to changes in the location of the right of way, not the roadway. Even though the road location may not change substantially under the current project, a change in the location of the right of way line will permit future moves of the roadway that may not be compensable if there are no additional right of way takings.
- When performing a before and after analysis to determine severance damages resulting from a change in proximity, it is preferable to utilize two separate unique sets of comparable sales. However, the appraiser may be able to use the same set of comparable sales for the before and after conditions and utilize a matched pairs analysis to adjust for the effects of the change in proximity.
- In most circumstances, any severance damage resulting from a change in proximity will be incurable (see REPM/Subsection 2.4.5.1). If the appraiser attempts to utilize a cost to cure to estimate a severance damage resulting from the change in proximity, they must provide market evidence that the proposed cure will mitigate the permanent reduction of the subject's setback.
- Typically, if the highest and best use of the subject property is based upon the subject as improved, then any damages resulting from the impacts to the site will be included in the before and after determination of severance damages. If the highest and best use of the subject property is as vacant, then severance damages resulting from a change in proximity will not be an issue.

Severance damages resulting from a change in proximity are typically difficult to support with available market data. It is recommended that the appraiser discuss the issue of proximity changes, and their anticipated method for measuring any potential severance damages, with the review appraiser assigned to the project.

2.4.5.5 - Severance Damages Resulting from A Change in Access (Access Control)

Access Rights:

- The Dictionary of Real Estate Appraisal 6th Edition, published by the Appraisal Institute defines access rights as:
The right of ingress to and egress from a property that abuts an existing street or highway; an easement in the street that adjoins abutting property; a private right, as distinguished from a public right.

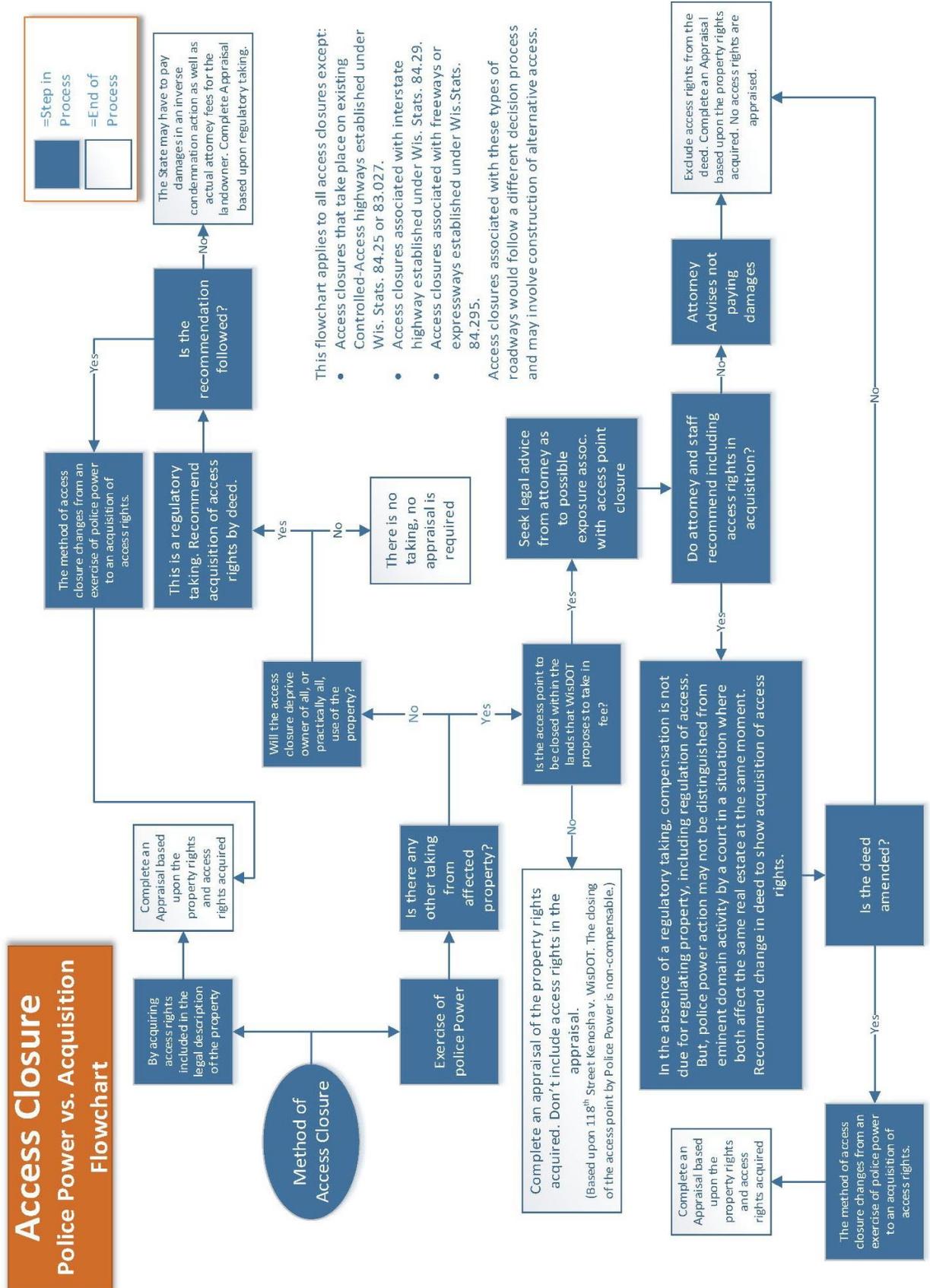
Regulatory Taking

- The following definition has been created for the REPM:
A regulatory taking is a situation in which a government regulation limits the uses of private property to such a degree that the regulation effectively deprives an affected property owner of all, or practically all use of the affected property, even though the regulation does not formally divest them of title to it.

A change in access generally refers to a modification of the physical access to a property that abuts a highway, resulting from a removal of one or more existing access points (driveways). The access change is typically undertaken as a function of WisDOT's access management program which is a strategy to reduce crashes and preserve a highway system's capacity and performance through the reduction of highway access. The goals of WisDOT's access management program include:

- To improve the sustainability of existing roads by increasing their capacity through the elimination of access points. This reduces the need for right of way acquisition typically required for roadway expansion.
- To increase traffic safety by eliminating the conflict points (potential points of collision) that are associated with each access point closed.
- To remove access points from turn lanes or acceleration lanes, which improves safety.
- To eliminate median crossings, which is a function of access management that is used to increase sustainability and safety. This type of closure does not typically affect abutting property rights, but it warrants mention here.

The two primary methods for eliminating access points are the exercise of police power and the acquisition of an affected property's access rights. The following flowchart is designed to assist real estate project managers and appraisers in the determination of whether a proposed access point elimination will require the inclusion of an analysis of the elimination in the appraisal scope of work. The determination is based upon whether the access point elimination is the result of an exercise of police power, or the acquisition of the right of access.



The first method for eliminating an access point is the exercise of police power. Under this method access points are physically removed and not replaced. The property rights tied to the subject property and its access to the adjacent highway are not changed. Police power, which is defined and discussed in REPM/Subsection 2.0.2.3.1 will not be an appraisal issue unless the exercise of police power results in a regulatory taking, requiring compensation. Examples of an access closure under an exercise of police power would include:

- The removal of an access point under a construction project, which is not replaced;
- The revocation of an access authorization, established for a controlled access highway (Section 84.25, Wis. Stats.), where alternative access exists;
- The cancelation of an existing entrance permit under Wisconsin Administrative Code ch. Trans 231 and the subsequent removal of an existing access point (driveway).

Under most circumstances, when an access point is removed through an exercise of police power, no property rights are acquired so there is no basis for a change in the affected property's after condition versus its before condition and, except under an extreme situation (a regulatory taking), there is no basis for compensatory damages. Any value impacts resulting from an access closure through an exercise of police power is considered to be non-compensable. However, if the exercise of police power deprives an affected property owner of all, or practically all use of the affected property, then the non-compensable police power action may become a regulatory taking, requiring compensation. If the proposed access closure has the potential to result in a significant value loss, the appraiser is advised to talk with the RE project manager and, or the assigned project attorney to determine if there is a potential for a regulatory taking resulting from the access point removal(s). If there is no regulatory taking, then the appraisal of the affected property will not include any damages associated with an access point removal resulting from the exercise of police power. If it is determined that there is a potential for a regulatory taking, then it is recommended that the proposed acquisition be amended to include the acquisition of access rights from the affected property rather than closing access by police power.

The fact that an access point(s) is being removed under police power should be addressed in the after-condition description of the subject's remainder. The exercise of police power is not an element of acquisition and should not be discussed in the description of the acquisition, nor should the value impacts of the closure(s) be recognized in the after condition. If the appraisal assignment includes a request that the appraiser identify damages resulting from an exercise of police power, the appraiser must alert the assigned statewide review appraiser, who should inform the region that the appraisal assignment is inappropriate. If there is no assigned statewide review appraiser, then the appraiser must inform the section chief, relocation, appraisal and property management section, BTS-RE-Chief to obtain the necessary assistance.

The second method for eliminating an access point is the acquisition of an affected property's right of access. The acquired right of access can be broad in its affect, limiting access between the subject property and a named highway, or it can be specific and eliminate the right of access along a specified portion of the subject's frontage on a named highway. The acquisition of access rights will be indicated on the TPP and addressed in the transfer deed. The acquisition of access rights will effectively change the legal description of the affected property and establish the basis for a before and

after analysis that may or may not identify a change in value resulting from a change in access. In a situation where the proposed acquisition includes access rights, the resulting loss in value would be considered compensable.

There is a third circumstance that will potentially result in the elimination of access to an affected property. This circumstance does not involve the elimination of an access point through an exercise of a police power, or the acquisition of access rights. Rather it involves the elimination of the ability of an affected property to physically support an existing access point because of a grade change to a highway, resulting from a construction project accompanied by a taking of real property (see REPM/Subsection 2.4.5.3). These grade changes would alter the existing topography and make the continued use of the existing access either physically impossible, or financially prohibitive. A loss of physical access, resulting from a change in grade, will not change the legal description of the affected property; however, it will change the description of the physical characteristics of the affected property, and establish the basis for a before and after analysis that may or may not identify a change in value resulting from a change in access. In a situation where the change in access results from a change in grade, accompanied by a taking of real property, the resulting loss in value would be considered compensable.

When estimating any potential change in value resulting from the acquisition of access rights from an affected property, or from the elimination of the ability to physically access a property due to a change in grade, the appropriate appraisal methodology would be a before and after analysis as described in REPM/Subsection 2.0.2.1.1. When valuing the impacts of the legal or physical restriction of access, it is imperative that the appraiser utilize before-condition comparable sales that reflect the existing access in the before condition and after-condition comparable sales that reflect the access in the after condition. The appraiser should make every attempt to utilize a different set of comparable sales for the before and after conditions. Utilization of the same set of comparable sales for both conditions with different adjustment factors to address the effects of the access closure does not prove or support a value change due to the change in access. The identified value impacts should be reported as a severance damage resulting from the change in access.

When a before and after analysis of the impacts of a legal or physical change in access results in the identification of severance damages to the subject property's remainder, the appraiser should consider the possibility that the severance damages are curable (see REPM/Subsection 2.4.5.2). The following are examples of situations where severance damages resulting from the legal or physical elimination of access may be curable:

- A change in grade makes an existing driveway unusable. As a result, the site improvements are left with no physical access, thus significantly reducing the contributory value of the improvements (severance damage). If the subject site has access potential at a different location, a cure for the loss of the driveway would be the cost to build a new driveway at the alternate location, and the removal of the old driveway.
- A physical or legal loss of a commercial access point that results in the primary customer entrance to an upscale retail store being moved from the front of the building to the less desirable rear entrance. Under this scenario the original primary customer entrance, which would have provided high visibility of the best side of the

primary building is closed. In the after-condition the replacement entrance would result in the customers having an increased exposure of the unsightly aspects of the remainder's improvements (waste storage, under improved building facades and dock areas). This situation could potentially be cured by upgrading those newly exposed portions of the remaining property.

- A physical or legal loss of an access point results in internal circulation issues (example a service station or truck stop cannot function after an access modification; a residential garage, can no longer be accessed through the original garage door). As a result, the site improvements can no longer function at their highest and best use, thus significantly reducing the contributory value of the improvements (severance damage). A cure for the access impacts would be the cost to modify and, or move site improvements (curbing, pump islands, signage, modify garage door location, etc.) to accommodate a modified internal circulation.

Care must be taken to ensure that the cost to cure an access modification does not exceed the potential uncured severance damages. In addition, the appraiser must recognize that a potential cure for an access modification may not cure all severance damages resulting from the elimination of an access point. There still may be a potential for incurable severance damages (see REPM/Subsection 2.4.5.1) resulting from the loss of an access point. For this reason, the appraiser's before and after analysis must address both curable and incurable severance damages. Finally, any determination of the existence, or absence, of severance damages, is not a matter of an appraiser's opinion and must be supported by market data.

Appraisers must recognize, when doing a before and after appraisal, that identifying and measuring a loss in value due to access restriction/changes by this method may also include non-compensable damage items. Examples of non-compensable damages are: loss of business, external circuitry of travel or changes in traffic patterns. A careful analysis of the comparable sales used to establish the before value and those establishing the after value is needed. Any non-compensable damage components included in the before and after comparison should be identified and qualified in the appraisal narrative and eliminated from the final value conclusion.

The existing (before-condition) access must be described in the property description, before acquisition section of the appraisal report. The access rights acquired must be identified and described in the description of acquisition section of the appraisal report. The changes to the subject's remainder resulting from the change in legal or physical access must be described and discussed in the property description after acquisition section of the appraisal report.

The appraisal report should also include a site sketch showing the existing access locations and photos of the driveways to show the use and need for the driveways.

2.4.5.6 - Valuation Issues Resulting from the Creation of Remnants

Remnant

- The Cambridge English Dictionary defines remnant as:
A small piece or amount of something that is left from a larger, original piece or amount. In eminent domain appraisals, the original piece or amount is the larger parcel.

In a partial acquisition of a larger parcel the remaining property (after condition) is typically referred to as the remainder of the larger parcel. However, when that remainder has negligible economic utility or value (a small piece or amount of something) due to its size, shape, or other detrimental characteristics, WisDOT has chosen to utilize the term remnant to define it. The term remnant is also used to refer to a small or landlocked portion of the remainder that is physically separated from the main body of the remainder as a result of the proposed acquisition. Remnants created by a partial acquisition are divided into two basic categories; economic remnants and uneconomic remnants.

Economic remnants are remnants that retain all or a substantial portion of their original, before condition, contributory value. As such, they still provide value to the property owner.

Uneconomic remnants are remnants that, because of a loss or difficulty of access, changed highest and best use, remoteness, or any other reason, will burden the affected property owner with responsibilities or expenses not commensurate with the value of retaining the remnant. A remnant becomes uneconomic when it's size, shape or condition has substantially impaired its economic viability or will render it of little value to the owner after the acquisition.

Note: It is not the appraiser's responsibility to determine whether a remnant is economic or uneconomic. This is a designation that will be assigned by WisDOT regional personnel. The appraiser will determine a value for the remnant and the region will assign a designation of economic or uneconomic based, in part, upon the findings presented in the appraisal report. The appraiser will not utilize the terms economic remnant or uneconomic remnant in their appraisal report. The appraiser will limit his or herself to the utilization of the term remnant when describing remainders affected by size, shape, or other detrimental characteristics created by a partial acquisition.

When valuing a partial acquisition of a larger parcel, the appraiser will value the before condition utilizing the appropriate approach(s) to value (sales comparison, cost, income). In the after condition, the determination of whether or not a remnant has been created will be made as part of the highest and best use analysis of the remainder. If the remainder of the larger parcel, due to its size, shape, or other detrimental characteristics, has experienced a substantial change in highest and best use or marketability, then there is a potential for the remainder to be a remnant. If an acquisition creates a small or landlocked tract that is separated from the main body of the remainder of the larger parcel, then the highest and best use analysis will be performed for both the small or landlocked portion and the main body of the remainder to determine if one, or all, of the

remaining portions of the remainder of the larger parcel, are potentially remnants. The remaining portion(s) of the remainder of the larger parcel will then be valued independently. Any reduction, in the unit value of the remnant, identified by the before and after analysis is considered to be a severance damage.

2.4.5.7 - Valuation Issues Associated with Acquisitions from Legally Non-Conforming Properties

Legally non-conforming properties will typically fall into one or more of the following categories:

- Legally nonconforming use: A use of property that was allowed under the zoning regulations that existed at the time the use was established, but which, because of subsequent changes in those regulations, is no longer a permitted use. This type of use is referred to as a “Grandfathered Use”. Most zoning ordinances will permit the grandfathered use to continue until such time that the use is discontinued. Once a use is discontinued it will typically lose its grandfathered status and will not be permitted to restart.
 - Grandfathered use, in the before condition, that is the highest and best use of the larger parcel, may create a before value that exceeds what is possible under a use that is legal and conforming. The proposed acquisition may cause the grandfathered use to be discontinued, which would result in an after condition highest and best use that is legal and conforming but has a lower value than the before condition. In this situation, the before and after analysis will value the legally non-conforming property, with the grandfathered use in place for the before condition. The after condition will be valued based upon the legal highest and best use of the affected property. The difference will be considered a severance damage resulting from the loss of the grandfathered status.
 - If the before condition use is not the highest and best use of the larger parcel, then the subject property is being underutilized and an interim use likely exists. Valuation issues associated with an interim use are addressed in REPM/Subsection 2.4.7.1.
- Legally nonconforming structure: A structure that complied with zoning and development regulations at the time it was built but which, because of subsequent changes to the zoning, development regulations, or as a result of governmental acquisitions, no longer fully complies with those regulations. The non-conforming status of an improvement can result from: the building not meeting setback requirements; the improvements being too large, or tall for the site (exceeding site coverage or height requirements), or any other physical characteristic exhibited by the site improvements that does not conform to the zoning ordinances in place at the time of the appraisal.
 - When determining the market value impacts of the existence of a legally non-conforming structure, either in the before condition or the after condition, the appraiser should assume that, if a non-conforming structure is damaged or destroyed, it may be restored or rebuilt. This assumption is based upon statutory amendments resulting from 2005 Wisconsin Act 112, which include changes to Stat. 59.69 (10m) Counties, Planning and Zoning Authority, Restoration of Certain Nonconforming Structures; Stat. 60.61 (5m) Towns, General Zoning Authority, Restoration of Certain Nonconforming Structures; Stat. 61.351 (5m) Villages, Zoning of Wetlands in Shorelands, Restoration of

Certain Nonconforming Structures, and Stat. 62.23 (5m) Cities, Zoning of Wetlands in Shorelands, Restoration of Certain Nonconforming Structures.

- Legally non-conforming lot: A lot that, at the time of its establishment, met the minimum lot size requirements for the zone in which it is located but which, because of subsequent changes to the minimum lot size applicable to that zone, or because of subsequent governmental acquisitions, is now smaller than that minimum legal lot size. Some zoning authorities will recognize this type of lot as legal, or a lot of record as long as it is capable of supporting adequate setback requirements for a proposed structure.

The scope of work for an appraisal analysis of a property, that is either legally non-conforming in the before condition or will become legally non-conforming as a result of the proposed acquisition, must include a determination of the exact nature of the non-conformity. In making this determination, the appraiser must understand that the local zoning regulations establish the formalized rules for what qualifies as a conforming, non-conforming, legally non-conforming or illegal property. The zoning regulations can vary greatly, from jurisdiction to jurisdiction. Often times the interpretation of the zoning regulations may vary even within the same jurisdiction, over time, depending on the individuals authorized with overseeing the regulations. It is for this reason that the appraiser is advised to discuss the legal status of non-conforming properties, as well as the nature of the non-conformity, with the local zoning authority, if they believe that a subject of their appraisal is or may become non-conforming.

Once the appraiser has determined whether a property is legally non-conforming, he or she must determine how the local market reacts to the identified non-conformity.

- Does the non-conformity enhance or complicate the marketability of the affected property?
- Is the non-conformity unique?
- If the non-conformity is unique, does the unique nature of the non-conforming property increase its desirability in the market?
- Does the non-conformity result in upward or downward pressures on the value of the non-conforming real estate?

Answers to these questions should be based upon an analysis of available market data, including, but not limited to, comparable sales data, a review of aerial photography of the market area, a personal inspection of the subject's market area and possible interviews with RE professionals familiar with the market area. The level of analysis undertaken by the appraiser will vary based upon the nature of the proposed acquisition and the resultant appraisal problem. That portion of the appraiser's scope of work associated with identifying and measuring non-conformities should be discussed with the review appraiser assigned to the affected parcel, to determine the appropriate level of analysis.

Once the appraiser has identified the nature of the non-conformities and determined how the area market views those non-conformities, then he or she should employ the before and after appraisal method, as described in REPM/Subsection 2.0.2.1.1 (Before and After Rule - Appraisal Method) to value the proposed acquisition and any severance damages that will result.

2.4.6 - Valuation of Easements

REPM/Subsection 2.0.1.6 addresses the valuation of easements as prescribed by Section 32.09(6g), Wis. Stats. in the case of the taking of an easement, the compensation to be paid by the condemnor shall be determined by deducting from the fair market value of the whole property immediately before the date of evaluation, the fair market value of the remainder immediately after the date of evaluation, assuming the completion of the public improvement and giving effect, without allowance of offset for general benefits, and without restriction because of enumeration but without duplication, to the items of loss or damage to the property, where shown to exist.

Typically, the state acquires its needed right of way in fee simple (fee). Occasionally, however, the state determines that it is preferable to acquire an easement over the needed property instead of the fee ownership. The following definitions address the difference between fee and easement, and will support the valuation discussions that follow:

Easement

- The Yellow Book describes easements as follows:
In general terms, an easement is a limited right to use or control land owned by another for specified purposes. An easement is a property interest less than the fee estate, with the owner of the underlying fee (the servient estate) retaining full dominion over the realty, subject only to the easement (the dominant estate); the fee owner may make any use of the realty that does not interfere with the easement holder's reasonable use of the easement and is not specifically excluded by the terms of the easement.

Fee Simple Estate

- The Dictionary of Real Estate Appraisal 6th Edition, published by the Appraisal Institute defines Fee Simple Estate as:
Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

The reasons for utilizing an easement instead of fee can be based upon who owns the needed property, or what the property is needed for. The following subsections will address the most common easements used by WisDOT: a brief description of the terms of the easement; why the easements are typically used instead of a fee acquisition and guidance for how to value the rights acquired under the easement.

2.4.6.1 - Highway Easements (HE)

Occasionally land for highways is acquired by a highway easement rather than fee title. Typically, highway easements are utilized when acquiring: property from the federal government; tribal lands; or an active railroad corridor. However, highway easements are also acquired in a variety of instances where a fee acquisition would be undesirable.

Typical language associated with the acquisition of a highway easement reads as follows:

A Highway Easement (HE) is an easement for highway purposes, as long as so used, including the right to preserve, protect, remove or plant thereon any vegetation that the highway authorities may deem necessary or desirable.

The standard interpretation of this language is that the state is acquiring a dominant estate that encompasses nearly all the property rights for the area covered by the easement. The only remaining property right that is retained by the servient estate (the underlying fee owner) is the right of reversion. This is the right for the underlying fee owner to regain ownership of the area covered by the highway easement if the use for which the easement was acquired is ever discontinued.

When valuing a highway easement, the appraiser is directed by Section 32.09(6g), Wis. Stats. to perform a before and after analysis. The fact that the state is acquiring a highway easement does not affect the calculation of the before condition. The valuation of the remainder of the larger parcel after the acquisition of the highway easement and the subsequent construction project (the after condition) is treated in the same manner as if the highway easement were acquired in fee. This is because the rights, within the area of the easement, that remain after the establishment of the highway easement (underlying fee rights) have historically been held to have no value. This position is based upon the unlikelihood that the highway, for which the easement is acquired, will ever be abandoned, and the amount of time that would have to pass until any abandonment would take place. This position is supported by the Wisconsin Supreme Courts findings in Joint School District No. 1, Town of Greenfield v. Bosch et. al. as discussed in REPM/Subsection 2.4.6.2 below. In addition to the underlying fee rights having no value, the physical impacts to the remainder of the larger parcel resulting from the acquisition of the highway easement would be the same as if the area of the easement were acquired in fee. In most cases partial acquisition of a highway easement should be valued in the same manner as if the acquisition was in fee.

One exception to the rule of valuing highway easements at 100 percent of fee value is the partial acquisition of a highway easement over an active rail corridor. When a roadway is constructed within a highway easement across an active rail line within a railroad corridor the roadway and the rail line co-exist within the affected real estate. In this situation, as well as with other corridors (canals, utility, etc.) where the original use of the corridor is preserved within the highway easement and the roadway and existing use co-exist across the same real estate, the valuation of the highway easement will require greater analysis. The appraiser must review the language associated with the highway easement within the corridor and determine whether the roadway and the existing use within the corridor share the real estate equally (each use is supported equally) or whether the uses are unbalanced. This will determine whether the value of the highway easement should be 50 percent (balanced) or some other percentage of the unencumbered fee value of the affected real estate. It is recommended that the appraiser discuss any proposed highway easements across active corridors with the assigned review appraiser.

2.4.6.2 - Existing Highway Easements (Underlying Fee Rights)

Occasionally it is determined to be appropriate for WisDOT to acquire the underlying fee rights that were not acquired when the original roadway right of way was acquired as a

highway easement. The TPP will typically show the acquisition of the underlying fee rights in the schedule of lands and interests required as existing right of way acres required. Despite the indication in the TPP, WisDOT is not acquiring existing right of way. What is being acquired is the underlying fee rights that remained after the acquisition of the original highway easement. The acquisition of underlying fee rights is often inappropriately referred to as a conversion or transition of a highway easement to fee. The terms convert, and transition are a misrepresentation of the acquisition that is taking place and should not be used in an appraisal report.

When valuing the underlying fee property rights within an existing highway easement area, the appraiser must analyze the nature of the property rights that remain from the original highway easement acquisition. Some local zoning ordinances may permit the recognition of the area of underlying fee when calculating density or minimum site size requirements. This may suggest a higher value for the underlying fee rights, or possibly even a potential for severance damages to the remainder of the larger parcel resulting from the acquisition. However, if this condition is found to exist the appraiser should consult with the review appraiser assigned to the parcel being appraised. Under most circumstances, unless the original highway easement specified something different, most highway easements are assumed to have acquired all rights except the right of reversion, and the underlying fee rights are assumed to have no contributory value to the larger parcel. This position is supported by the Wisconsin Supreme Court Case Joint School District No. 1, Town of Greenfield v. Bosch et. al., which found that "... in ordinary cases, where condemnation for a right of way is sought, evidence is permitted to show, as the damages sustained, the full value of the land taken, upon the theory that the easement will be perpetual; that the right of way acquired, though technically an easement, will be permanent in its nature, and the possibility of abandonment by nonuse are so remote and improbable as not to be taken into consideration; that the exercise of the right will require practically the exclusive use of the surface; and that any interest which might be reserved to the owner in the fee would only be a nominal one and of no value."

The appraiser should avoid a finding of a nominal value when appraising underlying fee rights, because the term nominal is a non-specific term open to debate. A finding of no value is an acceptable finding. Under no circumstance should the appraiser indicate that the underlying fee rights being taken are non-compensable. This suggests that the state has the right to take the rights in question without compensation. This is inconsistent with the acquisition that is taking place and is completely different than saying the rights contribute no value.

If the appraiser reports a finding of no value, or a nominal value, for the acquisition of underlying fee rights, they should cite Joint School District No. 1, Town of Greenfield v. Bosch et. al. within their appraisal report as justification.

2.4.6.3 - Permanent Limited Easements (PLE)

Occasionally land for highways is acquired by a permanent limited easement rather than fee title. Typical language associated with the acquisition of a permanent limited easement reads as follows:

A permanent limited easement (PLE) is a right for construction and maintenance purposes as defined herein. Including the right to operate necessary equipment thereon and the right of ingress and egress, as long as required for such public

purpose, including the right to preserve, protect, remove, or plant thereon any vegetation that the highway authorities may deem necessary or desirable. But without prejudice to the owner's right to make or construct improvement on said lands, or to flatten the slopes. Providing said activities will not impair or otherwise adversely affect the highway facilities.

The PLE document will specify the intended use of the area within the easement. The standard interpretation of this language is that the state is acquiring a dominant estate that encompasses specific property rights that are spelled out in the TPP and the PLE document. Each easement document contains specific controls and restrictions and must be carefully analyzed to determine how the easement affects the encumbered property as well as the easement's potential impacts on the unencumbered remainder. The servient estate typically retains the right to utilize the encumbered property to the extent that the specific property rights covered by the permanent limited easement are not impacted. The servient estate also retains the right of reversion. This is the right for the underlying fee owner to regain full ownership of the area covered by the permanent limited easement if the use for which the easement was acquired is ever discontinued.

When valuing a permanent limited easement, the appraiser is directed by Section 32.09(6g), Wis. Stats. to perform a before and after analysis. The fact that the state is acquiring a permanent limited easement does not affect the calculation of the before condition. The valuation of the remainder of the larger parcel after the acquisition of the PLE and the subsequent construction project (the after condition) must address the limitations placed upon the encumbered area by the easement, and any potential impacts to the unencumbered remainder as well. The acquisition of an easement through eminent domain does not give an appraiser a license to guess. The same logic and reason must be applied to appraising easements as would be applied to any other partial acquisition. A before and after analysis using comparable sales affected by permanent easements is the preferred method for determining the value impacts of a PLE, if the data is available. If sales with easements are used for the after condition, the easements should have similar effects on the sales properties as the easement being valued is anticipated to have on the subject property. In the absence of reasonable comparable sales data reflecting the anticipated effects of the proposed easement, the use of matched pairs to establish a range in potential value impacts, stated as percentages of the unencumbered fee value could be used. The ultimate responsibility for determining the appropriate appraisal methodology rests with the assigned appraiser. Whatever method of valuation the appraiser chooses to utilize, must be supported by appropriate market evidence. The appraiser is encouraged to discuss their intended valuation method with the assigned review appraiser.

The appraiser should use sound reasoning and logic to determine what percentage of the total ownership interest is affected. The most common type of easements found on comparable sales includes easements for access, utilities, overhead electric transmission lines, and pipelines. If there is no sales data to support the valuation of the easement, the appraiser's justification for the percentage of impact to the unencumbered fee value of the affected real estate, resulting from the permanent easement, must include an analysis of how the easement will affect the use of the property. Any percentage of loss of value for an easement should be proportionate to the loss of use of the property by the owner. It is also possible that the imposition of a permanent easement could cause a severance damage or benefit to the property remaining.

Evidence of severance damages or special benefits can only be determined through the use of a before and after analysis.

The use and impacts of the permanent limited easement acquired must be identified and described in the description of acquisition section of the appraisal report. The physical changes and limitations on the use of the subject's remainder resulting from the imposition of the proposed easement must be described and discussed in the property description after acquisition section of the appraisal report.

2.4.6.4 - Temporary Limited Easement (TLE)

Occasionally land, necessary to facilitate the construction of a highway project, is acquired as a TLE. Typical language associated with the acquisition of a TLE reads as follows: a TLE is a right for construction purposes, as defined herein. Including the right to operate necessary equipment thereon and the right of ingress and egress, as long as required for such public purpose, including the right to preserve, protect, remove, or plant thereon any vegetation that the highway authorities may deem necessary or desirable. All TLE's expire at the completion of the construction project for which this instrument is given. A TLE is an interest in land that is limited in purpose and time. TLE's must be acquired when the department has a need to temporarily use a portion of a property owner's land to facilitate the construction of a highway project. There are three potential elements of value loss or compensation resulting from the acquisition of a TLE.

1. The actual use or encumbrance of the land contained within the TLE. WisDOT's policy is that costs associated with the actual use of the land contained within the TLE, are an element of compensation, and not a damage. For this reason, the calculation of the compensation for the use of the TLE is separate from the before and after analysis of other property interests being acquired. The calculation of this element of value loss is discussed below.
2. The acquisition of site improvements or landscaping contained within the area of the TLE. Guidance for determining if, or when to value site improvements or landscaping within the area of the TLE is provided in REPM/Subsection 2.4.3.2. The methods for valuing the various site improvements or landscaping within the TLE is discussed in REPM/Subsection 2.4.3. The loss of the impacted site improvements is considered permanent, so the value determined for the affected site improvements or landscaping, which is considered their contributory value, must be addressed when calculating the after value of the subject property.
3. Possible severance damages to the land within the TLE and the remainder of the subject property, resulting from the construction activity within the TLE. Possible sources of severance damage could include: soil quality modification or compaction within the TLE that has the potential to adversely affect the vegetation growing capacity and subsequent contributory value of the affected area (corrective measures are available; however, the time required is extensive enough to consider the impacts permanent); significant slope modifications within the TLE that would permanently reduce the contributory value of the affected land, or impede access to the remainder of the subject property; and removal of essential site improvements (fencing, screening, retaining walls, etc.), where the cost of replacement exceeds their contributory value. The severance damages resulting from the construction activity within the area of the TLE is considered permanent in nature and must be taken into consideration when calculating the after value of the subject property.

The following section relates only to the calculation of the compensation for the use of the land contained within the TLE, as discussed in Item 1 above. The compensation for use of the land within the TLE is typically considered equivalent to renting the affected land for a specified period of time. This method of estimating compensation is consistent with WisDOT's policy of treating the use of the land within a TLE as an additional item of compensation. Factors that need to be identified, or estimated, in order to calculate the compensation for the use of the land within the TLE are:

- Amount of land within the TLE
- Unencumbered fee unit value of the subject site (Land Value per Sq. Ft. or Ac.)
- Appropriate rental rate, or annual yield rate, for the TLE
- Amount of time that the property within the TLE will be encumbered (Duration of TLE)
- Appropriate discount factor for the lump sum payment of calculated annual TLE payments (DR)

Amount of land within the TLE. This information is obtained from the TPP schedule of lands and interests required and is typically stated in square feet or acres.

Unencumbered fee unit value of the subject site. The appraiser must utilize the after condition unit value of the subject site when calculating the compensation for the use of the land within a TLE. In most situations, the unencumbered fee unit value of the larger parcel in the before condition, and the remainder of the larger parcel in the after condition, will be the same. However, if the property encumbered by the TLE has experienced any severance damages as a result of the proposed permanent acquisitions (fee and permanent easements) from the larger parcel and the subsequent construction project, the after condition unit value within the area of the TLE will be lower than the before condition unit value. If the land within the TLE has experienced severance damages in the after condition, the combination of the severance damages applicable to the land within the TLE plus the compensation for the TLE (if calculated utilizing the before condition unit value), could potentially exceed the total unit value of the land within the TLE in the before condition.

An example of this situation would be where an accessible site, that is worth \$5,000 per ac. in the before condition, becomes landlock in the after condition and is only worth \$500 per ac. (a severance damage of \$4,500 per ac.) A TLE on the remainder, based upon the before value, would be worth about \$1,500 per ac. That would mean that total compensation for the property within the TLE would be \$6,000 per ac., or \$1,000 per ac. more than the before value.

For this reason, the appraiser will utilize the after condition unit value when calculating the compensation for the actual use or encumbrance of the land within the TLE.

Appropriate annual rental rate, or annual yield rate, for the TLE. The preferred method for calculating the compensation for use of the land within the TLE is to identify annual market rental rates for land, within the subject's market, that are similar to the subject property. This may be possible when dealing with agricultural lands, but it is unlikely to be available for other types of property. If the appraiser chooses to utilize market rental rates for the calculation of the compensation for the use of the land within a TLE, he or she should consider whether the intended use of the TLE is consistent with the use under the market rental agreements (Example: crop production vs. construction activity). If the appraiser's analysis indicates higher than normal expected inflation, and that the

use of the TLE would reflect higher levels of risk (see the discussion of this issue below) than the uses identified for the market rental agreements, he or she may choose to adjust the rental rate to address the potential differences.

In the absence of market rental information, the appraiser is directed to develop an annual yield rate, which, when applied to the unencumbered fee value of the land within the TLE, will establish a reasonable annual rental rate for the land within the TLE. Depending on the subject's market location and property type, it may be possible to abstract an annual yield rate from available market data. In the absence of market data, or in support of limited market data, it is possible to estimate an annual yield rate. There are multiple methods for estimating an annual yield rate. The appraiser is encouraged to reference available reputable appraisal text to identify his or her preferred method. The following method of estimating an annual rate of return is considered to be adequate for the calculation of compensation for the use of land within a TLE:

Basic Safe rate + Liquidity Adjustment + Risk Adjustment = Annual Rate of Return

- A basic safe investment rate reflects the time value of money rate, or a rate which compensates an investor for waiting. A basic safe rate obtained for competitive investments in the financial market would establish the base for building an annual yield rate. A safe rate would include rates for certificates of deposit with time requirements similar to the duration of the TLE, municipal bond rates, etc. This safe rate is by definition, basic and not specific to any property type or use. Therefore, the basic safe rate should be the same for all property types and uses. If the appraiser chooses to vary this rate based upon property type or use, they must provide evidence supporting the variation.
- The adjustment for expected inflation is an adjustment to the basic safe rate that addresses the expected loss in purchasing power resulting from inflation over the life of the TLE (from the effective date until the expiration date of the TLE). This adjustment is required because there will be no annual rate adjustments made to the annual rental rate during the term of the TLE. The adjustment for expected inflation will be tied to the consumer price index. The appraiser should utilize the current year's inflation rate to establish the adjustment for expected inflation. No effort should be made to project or predict future inflation rates.
- The risk adjustment includes consideration for market, financial liquidity and management risks together with uncertainty associated with the ultimate physical and financial impacts of the imposition of the TLE on the encumbered areas. The lack of liquidity will affect the annual yield because most alternative investments give the investor the opportunity to divest themselves of an investment. Most investments can be sold or traded easily, which gives the investor the opportunity to take advantage of beneficial fluctuations in the market that could potentially allow him or her to increase their annual yield rate. In contrast, the TLE cannot be sold or traded and the investor bears greater risk the longer the timeframe for the TLE. This inability to sell or trade the TLE, or non-liquidity, is an element that should be considered in the establishment of a risk adjustment. The element of uncertainty associated with the physical and financial impacts of the imposition of the TLE include not only the possibility of unexpected physical changes within the encumbered area, but also the possibility of impacts from the construction activities within the TLE on the unencumbered portions of the subject property. This element of the risk adjustment may be affected by the location and size of the TLE. Smaller TLE's, or TLE's that are situated in remote or unused areas of

the subject property would have less risk. Larger TLE's, or TLE's located in prominent or heavily used areas of the subject property would have more risk. The adjustment for risk is directly tied to the physical characteristics of the TLE being analyzed and its impact on the affected parcel, and the impacts of the TLE on the affected parcel are potentially tied to the property type or current use of the parcel, so the adjustment for risk has the potential to be unique for each parcel being appraised. Typical adjustments for risk range from 2% to 4%.

Example: The following is an example of a calculation of an annual rate of return:

- Basic Safe Rate – Based upon market research a rate of 2.5% per year is identified for AAA rated municipal bonds.
- Expected Inflation – A review of the available inflation estimates results in an adjustment for expected inflation of +1.5% per year.
- Risk adjustment – The proposed TLE will be located in the front yard of a single-family residence and will take up approximately two-thirds of the yard, so a risk adjustment of 3% per year is identified by the appraiser.
- Basic Safe rate + Expected Inflation + Risk Adjustment = Annual Yield Rate
- 2.5% + 1.5% + 3% = 7% Annual Yield Rate

Application of an annual yield rate for all or a portion of a project. The appraiser may choose to establish a single annual yield rate for an entire project where the affected parcels are sufficiently similar with regards to property type and the potential impacts of the proposed TLE. In this situation, the affected parcels would utilize the same basic safe rate. The adjustment for expected inflation would be the same for all of the parcels on the project because they would all be affected by the same market conditions. The risk adjustment would be same for all of the parcels as long as the property types are similar, and the acquisitions are similar in nature. If the appraiser chooses to utilize a single annual yield rate for a project, but there are a small number of parcels with increased risk potential, the annual yield rate calculated for the project can be adjusted to address the increased risk for the affected individual parcels.

The annual yield rate calculated for the project can be further refined if the parcels on the project are not sufficiently similar with regards to property type to utilize a single rate. If the project contains multiple property types that are not similar in nature, those parcels on the project that are similar in nature can be grouped together. A separate annual yield rate can then be calculated for each property type (group of parcels) by adjusting the annual yield rate calculated for the project to reflect the impacts of utilizing a different risk adjustment for each of the different property types. The appraiser must cite his or her justification for the use of different risk adjustments based upon property type.

Time that the TLE will be encumbered. The time period of the TLE will typically run from an established starting date until the expiration date identified in the appraisal assignment by the regional office. The establishment of the starting date of the TLE will depend on whether the TLE is part of an appraisal or a waiver valuation contained in a NPPR. If the TLE is part of an appraisal, the starting date will be the same as the effective date of the appraisal. If the TLE is part of a waiver valuation contained in a NPPR, the starting date will be the date that the NPPR is being prepared and the TLE is being calculated.

The expiration date may coincide with the date of the completion of construction, which is available from the regional project engineer; however, responsibility for the establishment of the expiration date of the TLE rests with the regional RE office. The expiration date does not have to be directly connected to the anticipated completion of construction. If a project has the potential of being advanced, the regional RE office has the option to choose to utilize the program year for the expiration date of the TLE or the potential advanced date. If there is concern about the project being completed on time or the letting date being delayed, the regional RE office has the option to choose to add time to the duration of the TLE. In addition, the month of the expiration date for the TLE does not need to be tied to the anticipated construction completion date. It can be based, for example, upon the typical end of the construction season (November 30), or the last day of the calendar year (December 31). The date does not need to be tied to an anticipated event if the regional RE office so chooses.

It is recognized that the addition of time, that ultimately may not be needed, will increase the cost of the TLE; however, it will allow the region to avoid the possibility of having to obtain TLE extensions at a later date. The region must weigh the potential costs of increasing the duration of the TLE against the risk of possibly having to pay for extensions, which must be obtained under tight time constraints, that could have the potential of delaying a project. An additional element of consideration when determining the expiration date of the TLE is that the increased costs of extending the timeframe of a TLE will be mitigated somewhat by the discounting process discussed below. The completion date is considered to be an extraordinary assumption, because it is not defined in the document establishing the temporary limited easement.

Appropriate annual return on investment used to calculate a discounted lump sum payment of the annual rent for the TLE. The annual rental rate will be paid as a lump sum rather than annual installments. Therefore, an annual return on investment must be identified to determine a discount factor (see discount factor table below) used to calculate the present value (lump sum payment) of future annual rental payments for the use of the land contained within the TLE. Typically, payments that are made up front like this are discounted to reflect the time value of money (i.e., the value of a dollar received today is worth more than a dollar to be received in the future). A discount rate is the opposite of interest compounding; in other words, the present value of say five yearly rental instalments, if invested using a compound interest rate, should earn enough to provide a full rental payment each year. The basic safe rate element of the annual yield rate, which is defined as the time value of money, best reflects this. The annual yield rate's element of inflation is already built into the annual rental rate, and the annual yield rate's risk element need not be considered because there are no liquidity issues and a payment from a government agency carries a very low level of uncertainty. Based upon the above analysis the annual return on investment used to determine the discount rate is best reflected by the basic safe rate element of the annual yield rate calculation.

Calculation of an Appropriate Discount Factor. The identified annual return on investment, together with the duration of the TLE, will be used to calculate a discount factor, for the calculation of the discounted lump sum payment of the annual rental of the land within the TLE. The appraiser should utilize a financial calculator to obtain the appropriate discount factor. The Discount Factor Table provided below may be employed by the appraiser if they choose.

DISCOUNT FACTOR TABLE*												
Years	Annual Return on Investment											
	1%	1.5%	2%	2.5%	3%	3.5%	4%	4.5%	5%	5.5%	6%	6.5%
1 (12 mo.)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2 (24 mo.)	1.990	1.985	1.980	1.976	1.971	1.966	1.962	1.957	1.952	1.948	1.943	1.939
3 (36 mo.)	2.970	2.956	2.941	2.927	2.913	2.900	2.886	2.873	2.859	2.846	2.833	2.821
4 (48 mo.)	3.941	3.912	3.884	3.856	3.829	3.802	3.775	3.749	3.723	3.698	3.673	3.648
5 (60 mo.)	4.902	4.854	4.808	4.762	4.717	4.673	4.630	4.588	4.546	4.505	4.465	4.426
6 (72 mo.)	5.853	5.783	5.713	5.646	5.580	5.515	5.452	5.390	5.329	5.270	5.212	5.156
7 (84 mo.)	6.795	6.697	6.601	6.508	6.417	6.329	6.242	6.158	6.076	5.996	5.917	5.841

*The discount factor is based upon the annual payment being made at the beginning of the year.

Use of the Discount Factor Table:

When calculating a discounted lump sum payment for a Temporary Limited Easement (TLE), the appraiser must identify an appropriate discount factor, utilizing the length of time that the TLE will be in place, and an appropriate annual rate of return on investment. Using the above table, the appropriate discount factor for a 3-year TLE utilizing the 3% annual return on investment (calculated above) is **2.913**. In the event that the length of time that the TLE will be in place is not an even number of years (**Example: 41 months**) the appraiser will identify the discount factor for the even years before and after the actual identified TLE length of time. Using the above table, the discount factor for 3 years (36 mo.) is **2.913** and the discount factor for 4 years (48 mo.) is **3.829**. Subtract the discount factor for the shorter time frame from the discount factor for the longer time frame (**3.829 – 2.913 = 0.916**). Divide the difference by 12 (**0.916 ÷ 12 = 0.076**) to identify a monthly adjustment. Multiply the monthly adjustment by the time difference between the even year before the actual identified TLE length of time and the actual TLE length of time (**(41 mo. – 36 mo.) × 0.076 = 0.380**) to identify the necessary time adjustment for the discount factor. Add the adjustment to the discount factor for the even year before the actual TLE length of time (**2.913 + 0.380 = 3.293**) to obtain the discount factor for a TLE length of time that is not an even year in length (**3.293 for 41 months at 3%**).

Utilizing the factors identified above, the following formula should be used to calculate the compensation for the use of the land contained within the TLE:

1. Size of TLE in Sq. Ft. or Ac. × Unencumbered Fee Land Value per Sq. Ft. or Ac. = Value of the Land Contained in the TLE;
Example: 0.25 Ac. × \$10,000 per Ac. = \$2,500
2. Value of the Land Contained in the TLE × Annual Yield Rate = Calculated Annual Rental Rate;
Example: \$2,500 × 7% = \$175.00
3. The Calculated Annual Rental Rate may be replaced by an Annual Market Rental Rate if market data is available.
Example: Market Rental Rate is NOT available. Calculated Annual Rental Rate - \$175.00.
4. Annual Rental Rate (Calculated or Market) × The Discount Factor = The Lump Sum Compensation for the use of the land within the TLE.
Example: Using the discount factor for 41 months at 3% example from the Discount Factor Table above - \$175.00 × 3.293 = \$576.28 is the amount of the lump sum rental payment.

Note: The identified method of calculating the compensation for the use of the land within a TLE utilizes a single annual rental rate, or annual yield rate for the entire term of the TLE. WisDOT does not recognize the use of different annual rental rates, or annual yield rates, based upon the departments activity within the area of the TLE, during any specific portion of the term of the TLE.

The above calculation is not part of the before and after analysis of the subject property. The appraiser will report the analysis associated with the TLE, and the calculation of the compensation for the actual use or encumbrance of the land contained within the TLE, as an additional item of compensation. The section of the appraisal report that addresses the issue of compensation for the actual use or encumbrance of the land contained within the TLE will be distinctly separate from the before and after analysis and valuation portion of the appraisal report.

2.4.7 - Concept of Consistent Use

Consistent Use

- The Dictionary of Real Estate Appraisal, 6th Edition defines consistent use as:
The concept that land cannot be valued on the basis of one use while the improvements are valued on the basis of another use; most often an issue for interim or transitional uses of land. For example, a property in transition from one use to another cannot be valued on the basis of one immediate use for the land and another use for improvements because to do so would be inconsistent with elements of valuation. The improvements must enhance the value of the land. A dwelling that may have many years of remaining life for residential use could not possibly enhance the value of the land for which the immediate higher use would be a service station.

The concept of consistent use is typically only an issue when valuing improved interim use property that may be actively used for one purpose on the effective date of the appraisal, but which has a different immediate highest and best use on the same effective date. A common example is a property that is being utilized as a single-family residence on the effective date of the appraisal, while the appraiser's analysis indicates that the highest and best use of the property on the same effective date would be as if vacant and available for commercial development. It would be acceptable, under the concept of consistent use, for the appraiser to value the land as if vacant and available for commercial development, and place no value, a negative value (cost to remove the residence), or a minimal value (interim or transitional value) on the single-family residence and the residential site improvements (The value would depend on the condition of the improvements and the likely time frame for the commercial redevelopment). It would only be appropriate to recognize the value of the land as if vacant and available for development to its highest and best use, while allowing a residual (interim) value for the improvements, if the potential redevelopment is likely to take place in the near future (say 2 to 5 years). It would not be acceptable, under the concept of consistent use, for the appraiser to value the land as if vacant and available for commercial development, and then value the residence and the residential site improvements as if the highest and best use of the subject property was as improved for continued residential use.

2.4.7.1 - Valuing Interim Use Properties

Interim Use

- The Dictionary of Real Estate Appraisal, 6th Edition defines interim use as:
The temporary use to which a site or improved property is put until a different use becomes maximally productive.

As indicated in the definition of interim use, the term can be applied to a vacant site. Typically, if a vacant site has a different highest and best use than the current use, a use

change will be dictated by market conditions and the investor's willingness to accept the risk and costs associated with bringing the vacant property to market. The valuation of vacant interim property will not typically be impacted by the concept of consistent use; however, the value analysis will require the appraiser to consider issues associated with risk, holding costs and interim income generation. The valuation of vacant interim use property can be accomplished utilizing a number of acceptable methods, including, but not limited to:

- The identification of comparable sales data for vacant interim use property that is similar to the subject property. This type of data should be available in an active market and is considered to be the best indicator of market value.
- Estimate the market value of the vacant interim use property at its highest and best use as if development is imminent (example: land with an interim use as tillable agricultural with an imminent highest and best use as residential development land) and adjust the findings to address the value impacts of time, holding costs, costs to rezone the property, costs to prepare the property for sales and elements of risk associated with unknown future market conditions.

The appraiser must be competent to utilize his or her chosen method. If the appraiser is unsure of the appropriate valuation method to use, they are encouraged to consult the assigned review appraiser.

The following section will focus on the valuation of improved interim use property, because of the potential for complications associated with the employment of the concept of consistent use.

The determination of whether an improved parcel is considered an interim use property is based upon the highest and best use analysis for the larger parcel being appraised. The determination must be supported by:

- Market evidence of demand for the change (financial feasibility)
- Evidence of a willingness on the part of the local zoning authority to accommodate the change (legal permissibility)
- Market evidence that the potential change will result in a higher value for the subject site as if vacant than as improved (maximally productive)

The final element in determining whether an improved parcel is an interim use property is the issue of time. For an improved parcel to be considered an interim use property, with the site valued as if vacant and available to be developed to its highest and best use.

(example: A residentially improved site valued as a vacant commercial site) the above highest and best use changes must be imminent (likely to happen within the next 2 to 5 years) Any changes that are not expected to occur imminently are speculative, and do not support the valuation of an improved site, as a vacant site available for development. If the timeframe for the potential changes is not considered to be imminent the comparable data used to value the subject property may exhibit locational characteristics reflective of market speculation about possible changes, but they cannot reflect situations where changes were imminent. The determination of whether a parcel should be considered an interim use property is not a matter of opinion or a guess. It is a determination based upon supportable facts and market data.

The appraiser must utilize the before and after appraisal method when analyzing the value impacts of a partial acquisition from an improved interim use property. The before condition valuation of interim use properties can be accomplished utilizing the sales comparison approach, the cost approach or the income approach. The specific approach, or methodology used, is dependent upon the available data and is the responsibility of the assigned appraiser. The appraiser must be competent to employ the chosen appraisal methodology utilized to complete the appraisal assignment and must adhere to the concept of consistent use.

When valuing an improved interim use property, the land value for the subject site will typically be consistent with the identified highest and best use of the subject property as if vacant, adjusted for the anticipated costs associated with removing the existing improvements and obtaining the necessary zoning changes. If an improved interim use property is valued as if vacant and available for development to its highest and best use no adjustments will typically be made for risk or time, because of the determination that the proposed changes are considered to be imminent. There is no industry standard term for the resultant land value described above, but, for the purposes of the appraisal options discussed below, the term interim land value will be used. The following discussion of appraisal options is intended to provide guidance and should not be treated as the only appraisal options available. The appraisal options for estimating the before condition value of the interim use property might include:

1. The identification of comparable sales data for improved interim use property, similar to the subject property. This type of data should be available in an active market and is considered to be the best indicator of market value. The valuation methodology utilized for option 2 will provide an allocation of the market value of the interim use property between land and buildings.
2. Estimate the market value of the interim use property (as improved) as it is actively being used on the effective date of the appraisal (example: land and improvements valued as single-family residential), with no consideration for a different potential highest and best use. Then estimate the interim land value of the interim use property as if vacant and available for redevelopment to its highest and best use (example: vacant commercial). Compare the two values. If the value as vacant is higher than the value as improved, then the buildings likely lend no value to the interim use property. If the market value as improved is higher; subtract the land value as if vacant and available for development to its highest and best use from the estimated market value of the property as currently improved and being used. The difference would be the contributory value of the improvements for an interim use. In general, the lower the interim value of the improvements, the more imminent the use change would be.
3. If an analysis of the interim use property indicates the following:
 - There is a potential for imminent conversion of the property, but the current owner shows no inclination to pursue a use change;
 - The analysis from options 1 and 2 above result in zero interim use value for the site improvements;

The appraiser has the option to value the improvements utilizing an income analysis based upon a hypothetical market rental of the property for the likely transitional period (this method is discussed in Real Estate Valuation in Litigation, Second Edition, published by the Appraisal Institute, on Page 117). The calculated value for the improvements would be considered an interim value and would be added to the interim land value to provide a before value for the interim use property. This method

recognizes the possible market reactions of a potential buyer of an interim use property, that will not be converted to the identified highest and best use for a few years, who would likely be willing to consider the potential income generating capacity of the interim use when buying the property.

The value findings of the above appraisal options would be supportive of a before condition market value for an interim use property. The same methods described for the before condition, along with the before condition value allocations between land and improvements, would be used to estimate an after value of the interim use property. The land and improvement allocations can also be utilized to determine the value of the part taken in a partial acquisition.

In a total taking of an interim use property, the valuation methods described above will likely result in the highest supportable market value for the larger parcel and, by extension, the highest resultant determination of just compensation. In a partial acquisition, however, the potential value impacts of the proposed acquisition will vary greatly depending on the amount of land acquired, the impacts to the existing site improvements, and the potential for severance damages. A partial acquisition should be analyzed from two possible perspectives to determine the most advantageous outcome for the affected property owner. One perspective would involve the valuation of the property as an interim use property, recognizing the land value as if vacant and available for development to its highest and best use and an interim value for the improvements. This would provide the greatest value for the land acquired, but it would significantly reduce the potential compensation for acquired site improvements, or potential severance damages to the buildings, because their contributory value is based upon a temporary use. The second perspective would involve the valuation of the property as it is used as of the effective date of the appraisal with the land and improvements valued accordingly. This would reduce the potential compensation for the land acquired but would increase the contributory value of the existing improvements acquired and allow for the potential for severance damage recognition. The appraiser should utilize the perspective that most benefits the property owner. However, the appraiser must not value the impacts to the buildings and site improvements based upon the current use and then value the impacts to the site (land) based upon a highest and best use that is different from the current use, and then add the damages together. This would be contrary to the concept of consistent use.

2.4.8 - Valuation of Contaminated Property

The appraisal of contaminated property involves the use of specialized data and appraisal methods that are discussed in REPM/Chapter 9.

2.4.9 - Carve-Outs

The term carve-out refers to a relocation concept discussed in REPM/Chapter 5. If a person is displaced from a home and a comparable replacement dwelling within the immediate area of the subject property, used in computing a Replacement Housing Payment (RHP), lacks major exterior attributes such as a garage or other outbuildings, the value of such attribute is subtracted from the acquisition cost of the subject dwelling to establish a base value for calculating a maximum RHP. This method is known as a carve-out for computation purposes.

The contributory value of the major exterior attributes is established by the appraiser and identified in the appraisal report. The appraiser must adhere to the unit rule, so the contributory values of the major exterior attributes are allocated from the estimated market value of the larger parcel, and not simply based upon a replacement cost. These allocations, or carve-outs may include items such as:

- The value of a residence and a typical lot for the area. This carve-out could be used to identify the contributory value of excess land that is capable of being independently developed. This carveout could also be used to determine the contributory value of the residential portion of a mixed-use residential/commercial property (farm, residence with an attached office or hair salon).
- The contributory value of exterior site improvements (major exterior attribute). This carve out would include items like swimming pools, outbuildings, detached garages oversized garages, barns, sheds and other unique site improvements. These carveouts would be used when comparable listings, used for replacement housing payment calculations, lack the identified improvement (major exterior attribute).
- The contributory value of the living quarters of an owner occupied commercial building. This carve-out could be used to determine the contributory value of the living quarters of an owner occupied commercial property such as a motel, tavern or resort.

If the appraiser is required to provide carve-out value estimates, he or she will be informed as a part of the appraisal scope of work agreement. The potential need for carve-outs must not influence the appraisal analysis of the subject property. Any carve-out allocations must be performed after the determination of the market value of the larger parcel and must be based upon the attribute's contributory value. The allocated contributory value of the requested carve-outs can be included in the appraisal report in a section labeled as carve-outs for relocation.

The appraiser should consult with the relocation advisor assigned to the parcel to determine any potential carve out need.



2.5 - WAIVER VALUATIONS

2.5.1 - General Policy

49 CFR Part 24.102(c)(2) (i thru ii) – An appraisal is not required if:

- i. The owner is donating the property and releases the agency from its obligation to appraise the property; or
- ii. The agency determines that an appraisal is unnecessary because the valuation problem is uncomplicated and the anticipated value of the proposed acquisition is estimated at \$10,000 or less, based on a review of available data.
 - A. When an appraisal is determined to be unnecessary, the agency shall prepare a waiver valuation.
 - B. The person performing the waiver valuation must have sufficient understanding of the local RE market to be qualified to make the waiver valuation.
 - C. The federal agency funding the project may approve exceeding the \$10,000 threshold, up to a maximum of \$25,000, if the agency acquiring the real property offers the property owner the option of having the agency appraise the property. If the property owner elects to have the agency appraise the property, the agency shall obtain an appraisal and not use procedures described in this paragraph. (see REPM/Subsection 2.0.1.2)

A waiver valuation, which is not an appraisal, is allowed in the following circumstances:

- If the acquisition involves a nominal parcel as defined in REPM/Subsection 2.1.3. Nominal parcels involve partial acquisitions from non-complex parent tracts that have a readily identifiable highest and best use, and no issues associated with the determination of the larger parcel. The value of the land contained within the larger parcel can be readily determined from comparable sales available in the area of the proposed project. Total damages resulting from the proposed taking and subsequent construction project have an estimated value of \$25,000 or less. The proposed acquisition involves land and minor acquisitions of site improvements. The total damages may include minor cost to cure severance damages to site improvements that are readily identifiable and easily calculated.
- Owner is donating property and releases WisDOT from its obligation to appraise the property. While an appraisal is not always necessary, and there is no actual prerequisite that an appraisal be made prior to accepting a donation, it is a federal requirement to inform the property owner(s) of the estimated value of their donation prior to acceptance. An appraisal may be determined to be unnecessary if the valuation problem is uncomplicated and may otherwise be considered a nominal parcel by WisDOT (e.g., \$25,000 or less). WisDOT's practice is to accept a signed waiver of appraisal from the property owner only when the anticipated total value of the proposed acquisition is estimated at \$25,000 or less and there is no severance to the remaining property (except fencing); or, because the owner is donating the property and chooses to release the department from its obligation to appraise the property. In such cases, WisDOT shall prepare a Donation - Waiver of Appraisal Recommendation and Approval form (RE1896). For donations with more than a \$25,000 estimated value, or that may otherwise be considered complex, perform an appraisal to establish the donation value.

Note: For details about donations, see REPM/Section 3.4.1.

A waiver valuation is not considered to be an appraisal as defined by the Uniform Act and 49 CFR, Part 24. Therefore, appraisal performance requirements or standards regardless of their source are not required for waiver valuations. Owner accompaniment is not required, and an appraisal review is not necessary. The waiver valuation needs to be performed by a person with an understanding of the local real estate market and how real estate is valued. A reasonable basis for the established value must be documented. The availability of consistent market data is necessary to support the value estimates that are required. Adequate time and effort must be spent analyzing each parcel for such items as change of grade, driveways and access impacts, landscaping, fencing, proximity and other factors that would affect the property values and eligibility for the waiver process. A department official must approve an amount believed to establish just compensation for the acquisition.

The values of fencing and other minor acquisitions of site improvements are allowed to be included in a waiver valuation because of the relative ease of estimating their contributory value to the subject property. As stated above the waiver valuation may also include minor cost to cure severance damages to site improvements that are readily identifiable and easily calculated. The existence of any other severance damages will require the use of an appraisal. The entire process of preparing the waiver valuations should be completed by a single RE specialist. Typically, the same specialist who prepares the expanded sales study (see REPM/Subsection 2.3.7) and the waiver valuations will then make the offers and prepare any appraisals that may be required when a waiver of appraisal is not obtained. It is permissible to use an expanded sales study prepared by other staff or a contract appraiser; however, the person preparing the waiver valuations and any required follow-up appraisals should be familiar with the sales contained within the study. To ensure accuracy and consistent valuations a qualified real estate agent with at least a working knowledge of sales study preparation and non-complex appraising should be utilized for this process. In the event that an appraisal is required, the same agent can serve as the negotiator, only if appropriate and as long as the total compensation remains under \$10,000.

Payment consistency - Regional staff are responsible for entering all data into READS. Regional project managers and the RE supervisors are responsible for ensuring consistent payments throughout each project for closely monitoring the waiver of appraisal process for compliance.

2.5.2 - Identification of Waiver Valuations

Parcels identified for this procedure must meet the following criteria:

- Acquisition may include minor easily curable severance damage
- Acquisition may include minor site improvements
- Can be appraised with the short format summary appraisal if a waiver cannot be obtained
- Non-complex, \$25,000 or less in value.

Regions should make an effort to identify nominal parcels, eligible to be valued utilizing the waiver valuation, early and indicate the parcel number in column A and type (nominal parcel) in column C of the individual parcel tab of the project scoping spreadsheet. This will notify the BTS-RE not to prepare folders for these nominal parcels. The final, signed Nominal Payment Parcel-Waiver of Appraisal Recommendation and Approval form (RE1897) is kept in the

region's files. Parcel folders can be created later if the waiver turns into an appraisal because an owner is unwilling to sign the waiver, or it is determined later that the appraisal problem is actually complex.

2.5.3 - Preparation of the Expanded Sales Study

Waiver valuations are typically based on values in an expanded sales study. A discussion of the reporting standards and guidance for the preparation of an expanded sales study are presented in REPM/Subsection 2.3.7. The comparable sales utilized to establish the value ranges for the different property types identified in the expanded sales study should not be subjected to significant analysis or adjustment. The expanded sales study must be adequate to be able to conclude individual unit values for each category that serves as the basis for calculating the nominal parcel payment.

Waiver of an expanded sales study - the sales study requirement can be waived by BTS-RE, either a manager or a BTS-RE review appraiser, for projects where all the payments fall under the amount that has been established as the minimum payment in the region or for the project. Regions have discretion in establishing the amounts for minimum offers (see REPM/Subsection 2.1.9). While the expanded sales study may be waived, the regions will still be responsible for documenting within the file containing the Nominal Payment Parcel-Waiver of Appraisal Recommendation and Approval form (RE1897), the appropriate justification for the unit value(s) chosen for the waiver valuation(s), whether it is comparable land sale raw data or listing data.

2.5.4 - Preparation of Waiver Valuations

1. The review appraiser and the appropriate regional representative will scope the project to identify parcels for potential waivers based on complexity.
2. Identify any impacted site improvements and whether they will be acquired, or will potentially experience curable severance damages, and identify in the Appraisal Scoping Checklist tab of the Project Scoping Spreadsheet.
3. The agent/appraiser must keep notes and calculations for his or her estimated values of the site improvements acquired, any identified costs to cure, and any additional items included in the waiver, so they are available if needed to prepare an appraisal if the property owner does not waive their right to an appraisal.
4. Include at least one photo of the parcel and, one or more close-up photos of any impacted site improvements in the regional file. Make sure all items in the acquisition, or affected by it, are in the photo(s).
5. The BTS-RE review appraiser or the regional review appraiser must approve the expanded sales study prior to any payments being processed. The responsible party here will depend on the complexity of the project and can be determined in the project management conference. The responsible party will be identified on the project cost allocation screen in READS. The review appraiser should also enter a date that the expanded sales study requirement is waived. Any request to waive the expanded sales study requirement should be in writing and the reviewer can file the request and approval, if granted, in the project file.
6. A summary of all nominal parcels must be listed on Nominal Payment Parcel Report form (RE1889). Real estate management must approve report before any offers to owners.
7. The agent should fill out the Nominal Payment Parcel - Waiver of Appraisal Recommendation and Approval form (RE1897) in advance of personal contact. After the owner signs the form, if there is no change in the offer the agent can sign the approval. Regional real estate management must sign the approval if changes are made.

2.5.5 - Waiver of Appraisal Negotiations

For guidance specific to conflict of interest standards, reference 49 CFR 24.102(n)(3) and REPM/Section 3.1.2, "For any parcels having an estimated value between \$10,001 - \$25,000 and up, because of the perceived potential for increased conflict of interest concerns, an appraiser or waiver valuation preparer cannot also act as the negotiator for that parcel, except and unless the approved offering price is \$10,000 or less. ...".

For estimated values \$10,000 or less.

- The owner's rights brochure and appropriate cover letter must be given/sent to the owner(s) prior to the initiation of negotiations. The date of delivery must be noted in the Negotiation Diary form (RE2058).
- Owners must be notified of their right to have the property being acquired appraised and be agreeable to waiving that right.
- Offers should be made in person if possible. Owners should be shown the expanded sales study used to establish the price. Group meetings to explain the project to multiple property owners at one time can work well for urban projects with minor acquisitions. Owners need to be given the opportunity to meet individually with real estate staff to complete the transaction.
 - Negotiation by mail is allowed and, in some cases, it may be the most cost-effective method. If the negotiation is by mail, copies of the sales sheets from the expanded sales study used to establish the price must be included with a letter explaining the offer and acquisition process.
- The completed Nominal Payment Parcel - Waiver of Appraisal Recommendation and Approval form (RE1897) is given to the owner to sign or left with the owner if an immediate agreement is not reached.
- A Negotiation Diary form (RE2058) must be completed for each parcel. Justification for changes or increases must be documented. Changes must be made in pen on the Nominal Payment Parcel - Waiver of Appraisal Recommendation and Approval form (RE1897) and initialed by the real estate specialist and the property owner.
- Specialists should not refer to leeway or percentage increases. Under no circumstances should the owner be pressured to waive their right to an appraisal.
- It is allowable to make a second follow-up visit if the owners want to think about it or not all the owners are present. The specialist can complete the appraisal inspection at that time, so that the owner can be presented an appraisal at the next meeting. If the owner(s) concur with the offer, have them sign the deed and complete the paperwork.
- If the owner chooses not to waive the right to an appraisal or is reluctant, tell the owner that someone will return to do an inspection. If any facts were discovered at the meeting that would make the valuation problem complex, such as an unanticipated damage to the remainder, the appraiser should inform regional management and an appraisal addressing the problem should be made. The appraisal must be submitted to the project review appraiser to have an offering price established. Once an offering

price is approved, a revised offer must be approved to change the offer. If condemnation is going to be used a final offer should be considered that covers any risks to the agency.

- A deed is required to convey land interest. The agent must be a notary public to authenticate the owner's signature on the conveyance instrument. If payment is \$600 or more, the owner should be asked to complete an IRS1099 form (see current IRS instructions) so that an IRS Form W-9 can be prepared for the owner. The closing statement prepared in advance may be modified in the field if necessary.
- Any change to a previously approved amount is subject to new approval and must be made in ink on the appraisal waiver form, initialed by the owner(s), a WisDOT agent, and documented in the Negotiation Diary form (RE2058). Always inform owners that any change is subject to new approval. Changes to the waiver amount can be approved by regional real estate supervisor, as long as the resulting offer does not exceed \$25,000 in total value.
- If a property owner requests an appraisal, tell them someone will be contacting them to schedule an inspection appointment.
- A statement to the construction engineer must be completed for all waivers of appraisal. This form lists all commitments made to the property owner. If no commitments are made, the form should still be signed by the owner and say none or N/A and must still be given to the construction section with a copy to the owner and uploaded into READS.
- Regional RE staff must enter all payment data into READS.
- Payment can be requested by submitting a copy of the signed Nominal Payment Parcel - Waiver of Appraisal Recommendation and Approval form (RE1897) to the BTS- RE/Finance along with a Payment Request form (RE1630).

2.5.6 - Converting a Waiver Valuation into an Appraisal

If an agreement is not reached the agent/appraiser should ask to accompany owner on an inspection of the property to be conducted as per the instructions outlined in REPM/Section 2.2. An Appraisal Report (Short Format Summary) form (RE1005) should be prepared in accordance with the established WisDOT format (see REPM/Subsection 2.3.6).

Waivers that are converted to appraisals but are still \$10,000 or less can be reviewed by a regional reviewer. All appraisals more than \$10,000 must be reviewed by a statewide review appraiser.



2.6 - APPRAISAL REVIEW GUIDELINES

2.6.1 - Purpose

The appraisal report provides 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 its 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 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 regarding the value conclusions contained in the report. 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 conclusions.

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 (**Note**) that provide an explanation for the scope of work item that it is attached to, together with some possible areas of concern (**Departure**) 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.

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.
 - 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.
 - 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.
 - 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.
 - 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.
 - 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.
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.
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 the before value analysis of the subject 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 include 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 review 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 offering

price report and submittal, 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 remainder (remnants) that are not 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 alternate 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.