



Appraisal and Appraisal Review Guidelines
for
Land Acquisition

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Wisconsin Department of Transportation
Bureau of Aeronautics
4802 Sheboygan Avenue, Room 701
Madison, Wisconsin 53707-7914

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All appraisers and review appraisers doing work for airports should be familiar with Wisconsin Statutes, Chapter 32.09, FAA Order 5100.37B, and BOA guidelines and policies for land acquisition prior to beginning the appraisal process. This guideline supplements the Wisconsin Department of Transportation, Bureau of Aeronautics (BOA), *Airport Owner's Guide to Land Acquisition*.

☐ THE APPRAISAL

A full narrative appraisal is a detailed and comprehensive report describing the property that is to be acquired and coming to a documented conclusion as to the fair market value of such property. The report must contain the rationale that has been used by the appraiser to reach an opinion of value and must be documented by market data which supports the appraiser's rationale. The following items are considered to be essential for a full narrative appraisal:

Purpose of the appraisal

The purpose of the appraisal will be stated. Include a statement of value to be estimated and the rights or interests being acquired.

Scope of work/Assignment

Describe the scope of work or project assignment – what you are appraising and why. Include a definition of the subject parcel to be appraised.

Description of the property

- Legal description
- Location of property
- Parcel number as it relates to the airport's Exhibit "A" map
- County tax parcel number(s)
- Name of apparent owner(s) of each interest being evaluated
- Pertinent title information
- A minimum of 5 years sales history of the property
- Statement of encumbrances, including existing aviation easements, leases, signs, etc.
- Total area of property in acres &/or square feet
- Area of each interest in property being acquired in acres &/or square feet
- Present use and zoning and, if available, the potential use as reflected by a local comprehensive land use plan
- Utilities, existing and available
- Type and condition of all above/below ground improvements and special features that may add to or detract from the value of the property
- Any tenant-owned improvements must be identified

Documentation

- Highest and best use
- The before and after method of valuation should be used for partial acquisitions except where there is clearly no damage or benefit to the remaining land or improvements due to a minor acquisition of property.
- Approaches to value should include sales, cost, and income, except when there is sufficient market sales data comparable to the property being appraised. When sufficient data is available, the appraiser should rely on the sales comparison approach only. When a sales comparison approach is not used, the appraiser should state why it was not used.
- Benefits are to be offset against the value of the part acquired and/or damages to the remainder in accordance with Wis SS 32.09 (6),(6g),(6r). The after value appraisal must eliminate any consideration of damages that are not compensable or benefits not recognized under state law even though they may exist in the ultimate value of the remaining property on the market.
- The appraisal of the after value must be supported to the same extent as the appraisal of the before value.
- The difference between the before and after will represent the value of the property to be acquired including the damages and/or benefits to the remainder property. The appraiser must separately analyze and tabulate the difference showing a reasonable allocation to land, improvements, damages, and benefits.
- When more than one approach to value is used, the appraiser must show a correlation of the separate indications of value derived by each approach along with the reasonable explanation for the final conclusion of value. This correlation will be included for both before and after appraisals.
- Reasons for not using an approach if one is excluded.
- All appraisals should include photographs of the subject property including all principal above-ground improvements or unusual features affecting the value of the property to be acquired or damaged.
- An appraisal for a property being totally acquired should contain a sketch or survey of the property showing the boundary dimensions, location of above and below ground improvements, transportation access (public/private roads), and other significant features of the property. For a partial acquisition, the sketch or survey should also show the area and/or interest to be acquired, relation of improvements to the acquired area, and area of each remainder. For an appraisal of residential improvements, a sketch should be included depicting the interior room layout and noting room dimensions.

Comparable sales

- Each appraisal must contain or make reference to the comparable sales that were used in arriving at the market value estimate.
- The appraiser must state the date of sale, names of parties to the transaction, consideration paid, method of financing, conditions of sale and with whom these were verified, the location/address of the sale property, total area, type of improvements, easement

encumbrances, mineral, oil, gas interests included in sale, appraiser's estimate of highest and best use at the date of sale, zoning, and any other data pertinent to the analysis and evaluation thereof.

- If the appraiser is unable to verify the financing and conditions of the sale from the usual sources such as buyer, seller, broker, title company, etc., it will be so stated.
- Pertinent comparable sales data should include photographs of all principal above ground improvements of unusual features affecting the value of the comparable sale.
- The appraiser should prepare a comparable sales map showing the location of the sale properties and their relation to the project.
- A data and analysis sheet must be prepared for each sale or listing used as a comparable in the preparation of an appraisal. Include an explanation and reasoning for items affecting the condition of sale (ex: demolition, financing).
- For noise impacted properties, comparable sales must be as similar as possible to the property being appraised with respect to noise, location, size, community services, time of sale, and the terms of the transaction. The appraiser should use comparable sales that are the most current, similar, proximate, and reflective of current market conditions. If comparable sales cannot be found in a noise impacted neighborhood near the subject property, the appraiser can move farther out from the impacted area, making appropriate adjustments to develop a comparison to the subject property.

Environmental investigations

- FAA requires properties to be appraised "as is", therefore environmental investigations such as hazardous materials, agricultural impact, and cultural resources must be completed before the subject property is appraised. Any parcel of land that is to be purchased in fee simple must have a hazardous materials assessment, at a minimum, prior to appraisal.

(FAA 5100.37b, 2-28)

Inspection of properties

- THE PROPERTY OWNER MUST BE AFFORDED THE OPPORTUNITY TO ACCOMPANY THE APPRAISER AT THE TIME OF THE INSPECTION OF THE SUBJECT PROPERTY.
- All property appraised, and the comparable sales that were relied upon in arriving at the market value estimate, will be **personally** inspected by the appraiser.
- Inspection dates of subject property and owner contacts will be noted in the appraisal.

Date of valuation

- This is the effective date to which the appraisal valuation data applies.

Assumptions and limiting conditions

- Include a statement of appropriate assumptions and limiting conditions, if any.

Certification

- Each appraisal must contain the appraiser's certification included in this guideline, stating that to the best of his or her knowledge and belief, the appraisal was conducted in an objective manner and that the conclusions are correct. A fill-able form can be downloaded from the BOA Land Forms and Documents website:
www.dot.wisconsin.gov/business/engrserv/airports/forms-documents.htm#land
- A new certificate will be prepared when there is a change in the appraisal report which affects the estimate of just compensation or changes the date of valuation.

Revisions

- Revisions to appraisals that are required as a result of the appraisal review, will be completed within 10 business days of receipt of the correction request.
- Appraisers will be given sufficient time to revise appraisals when there have been significant changes to acquisition plans or documents such as Exhibit A maps.

☐ APPRAISAL FORMATS

The following provides a brief summary of accepted appraisal formats for the Bureau of Aeronautics. For more detail, see *Airport Owner's Guide to Land Acquisition*.

Standard Highest & Best Use Appraisal

The Standard Highest & Best Use Appraisal is used in appraisal situations where the appraisal problem is complex but does not require a Standard Before and After Appraisal (detailed appraisal).

Examples include:

- Acquisition of entire property.
- Acquisition where part to be acquired could be sold as a "separate entity" and can be separately appraised.
- No damages to the remaining property, or the damages are not substantial. A separate market analysis of after value is not required.

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

Standard Before and After Appraisal

The Standard Before and After Appraisal (detailed appraisal) is required when the appraisal problem is complex in nature and a complete detailed appraisal is necessary.

The Standard Before and After Appraisal is required in appraisal situations where damages to the remaining property are so substantial that a complete analysis of the after value is required in addition to the analysis of the before value. It is, in effect, two appraisals in one report.

The following is a list of typical examples of complex acquisitions, where a standard before and after appraisal would be required:

- Acquisitions causing a change of highest and best use.
- Acquisitions where land value is not apparent from initial analysis of market.
- Appraisals needing more explanation than can be provided on short format.
- Appraisals with cost to cures not obvious or economically justified.
- Commercial properties other than bare land with no damage to remainder.
- Industrial properties other than bare land with no damage to remainder.
- Land only takings including extensive or unique landscaping (i.e., trees, shrubs, walkways, etc.).
- Partial takes causing severance damage to improvements due to proximity, change of grade, reduced utility, etc.
- Partial takes causing severance damage to land over \$5,000 for items such as access control, land locking, reduced size, irregular shape or where uneconomic remnants result.
- Partial takes causing significant damages or benefits to remainder.
- Properties requiring a specialty report.
- Properties where the cost or income approach may be relied on or weighed heavily in reconciliation.
- Properties with improvements not in harmony with highest and best use of land.
- Residential properties with unique features not normally found in market.
- Special purpose properties.
- Transitional properties where highest and best use is changing.

❑ APPRAISING LESS THAN FULL FEE SIMPLE INTEREST

Where the acquisition involves only a portion of the property, the appraiser must develop the severance damage, if any, to the remainder, including the reasoning and sales data to support the conclusion. The parcel to be examined by the appraiser is the entire land titled to the same owner and contiguous to the parcel to be acquired. The 'before and after' method of appraisal is expected to be used. In most cases where a property will be divided or some rights (but less than full fee) will be taken, a 'full narrative or detailed appraisal' will be required. If the situation is such that the remainder may be an uneconomic remnant, the appraiser should so indicate; however, it is the responsibility of the Sponsor to make this decision. Occasionally, there will be a parcel that could be purchased in fee simple, but we could get by with an easement. In that case, and in the case of an uneconomic remnant, doing the "before and after", full narrative appraisal will actually give you both prices.

When only a small amount of land is being acquired from a large tract and the remainder is not being materially affected, such as a change in the highest and best use or evidence of diminution of value – and the parcel to be taken is of nominal value - only that area being acquired needs to be appraised. In these instances, the highest and best use of the part to be acquired must reflect the same highest and best use of the remainder. Examples of less than full fee interest acquisitions are:

- PART OF WHOLE IN FEE SIMPLE
Fee simple acquisition of only a part of an owner's property.
- CLEAR ZONE EASEMENT & AVIGATION EASEMENT

A clear zone easement restricts all building, and growth of trees or plants from the level of the ground. The land itself is not acquired. Usually the land can still be used to farm low growing plants. An Avigation Easement protecting airspace interests should always be included with a Clear Zone Easement.

- **AVIGATION EASEMENT**

An easement giving a property interest in air space over a particular portion of ground, providing for, among other things, the right of flight; the right to cause noise and dust, etc.; the right to remove all objects protruding into the airspace and the right to enter the land to enforce the rights required. The airspace height is determined by the approach requirements of the Airport Layout Plan. The degrees of such restriction will vary in accordance with the glide angle plane necessary for the safe use of an airfield's runway.

- **LIFE ESTATES**

A life estate is the right to reside on the property until death even though the property is sold. It is not a recommended method of land acquisition and it is unlikely that either FAA or BOA will approve reimbursement of land purchased with a life estate granted until the life estate has been extinguished.

❑ BILLING INSTRUCTIONS FOR PROPERTY OWNER'S APPRAISAL

If you have been asked by a property owner, whose property may be acquired, to make an appraisal, you must follow these billing instructions for your fee to be paid by the SPONSOR or the Bureau of Aeronautics. In order for the Bureau of Aeronautics to determine the reasonableness of the appraisal fee, the appraiser should submit a detailed breakdown of the time involved. For example, the appraiser should indicate the dates and hours spent inspecting the subject property, inspecting and verifying comparable sales, drafting the report, etc. Also indicate the hourly rate charged. The appraisal and bill should be submitted to the property owner or the property owner's designated representative, who must then present the appraisal and the bill for payment to the Bureau of Aeronautics within the 60-day limit determined by Wisconsin ss 32.05(2)(b). The statute states that "The owner shall submit a full narrative appraisal to the condemnor within 60 days after the owner receives the condemnor's appraisal." Bills should also include a copy of the appraiser's qualifications (unless already included as a part of the appraisal report).

The reasonableness of the fee will be judged by the content of the appraisal and by the complexity of the appraisal problem. The appraiser is expected to exercise good judgment in this matter and should understand that the appraisal fee is to be commensurate with the scope of the appraisal need. The fee charged should not only be commensurate with the contents of the report, but also be reasonable in relation to the complexity.

The appraiser is also cautioned that the Bureau of Aeronautics does not consider consultation with the owner (other than during the actual property inspection), the owner's attorney or time spent reviewing the department's appraisal to be costs to be borne by the acquiring public agency.

Although we do not pay the property owner's appraiser for reviewing the acquiring public agency appraisal, we know this review happens with some regularity. As a result of this "review", there have been instances where an appraiser has been willing to include large portions of the public agency's appraisal, and would prefer, in the interest of cost effectiveness, not to duplicate such effort.

As indicated above, abbreviated reports may be accepted as a "full narrative appraisal" provided the appraiser does the following:

1. Specifically state which parts of the acquiring agency's appraisal were adopted for use.
2. Include a complete market approach either by adoption of the agency's appraisal or by providing a complete market approach that includes a direct comparison of the property to specific comparable sales with an analysis of differences.

Abbreviated reports are also accepted when the damage or compensation amount is \$10,000 or less. Such abbreviated reports avoid unnecessary expenditure of public funds on appraisal fees for nominal low value parcels where payments to property owners are relatively small. In these cases, the appraiser should include references to comparable sales and an explanation of the damage figure.

□ APPRAISAL REVIEW

Each appraisal shall be reviewed by a qualified review appraiser and an estimate of just compensation established prior to the initiation of negotiations. The intent of the appraisal review is to produce an adequately documented appraisal and a sound and valid recommendation of the competency of the appraiser, and assurance of appraisal consistency on a project wide basis. All appraisals must be reviewed by a Wisconsin Certified General Appraiser, who will examine them to ascertain that they meet the appraisal requirements as specified by law, follow the accepted appraisal principles and techniques for the valuation of real property, and will, prior to acceptance, secure necessary corrections or revisions.

The review appraiser will conduct a review to determine if the appraisal is acceptable and that the following were considered and supported in the appraisal:

- Does the appraisal format support the assignment?
- Does area/interest to be acquired agree with approved acquisition map?
- Was the "larger parcel" identified with respect to accepted definition and in consideration of historical court decisions?
- Was acquisition area or interest to be acquired discussed in an understandable manner?
- Was remaining property and effects of acquisition explained in an understandable manner?
- Was a separate entity analysis of acquisition area discussed per s. 32.09(6) Wisconsin Statutes?
- Was the analysis reasonable, logical, defensible, and based upon an adequate sample of data?
- Was the discussion of highest and best use of the property supported?
- Was there discussion of existing zoning and whether zoning agrees with highest and best use?
- Was there adequate discussion and illustration of physical characteristics of improvements?
- Was there adequate discussion of area and neighborhood as it relates to subject?
- Was there adequate discussion of physical characteristics of land?

- Has appraiser included any “non-compensable” items?
- Did appraiser discuss the rationale for the concluded value by referencing comparable sale(s)?
- Were a sufficient number of quality comparable sales analyzed?
- Was an adequate sale location map included identifying location of each comparable sale?
- Does comparable sale sheet include adequate photo(s)?
- Are the appraisal methods and techniques in compliance with USPAP, WisDOT and FAA?
- Were grid adjustments and/or narrative discussion within boundaries of reasonable probability?
- Is effective date of appraisal same as last inspection date?
- Was the owner or owner representative offered the opportunity to accompany appraiser during inspection?

The review appraiser should use the Bureau of Aeronautic’s *Appraisal Review, Certification & Recommendation* template to prepare a written report that identifies the appraisal report reviewed and documents the findings and conclusions arrived at during the review of the appraisal. Any damages or benefits to the remaining property shall be identified in the review appraiser’s report. The review report should identify those damage items compensable under state law but not generally held to be compensable under eminent domain and not eligible for federal reimbursement, if any. The appraisal review report shall include the review appraiser’s certification and state the approved appraised value as the basis for the sponsor’s offer of just compensation.

The review appraiser should identify each review as:

- Recommended** as the basis for establishment of the amount believed to be just compensation;
- Accepted** and meets all requirements but not approved; or
- Not Accepted;** fails to meet requirements, value opinion is not considered correct or supported.

CERTIFICATE OF APPRAISER

Airport: _____

Project Location: _____

Project No.: _____

Parcel No.: _____

I HEREBY CERTIFY:

That on _____ (date)(s), I personally made a field inspection of the property herein appraised and **that I have afforded the property owner the opportunity to accompany me at the time of inspection.** I have also personally made a field inspection of the comparable sales relied upon in making said appraisal. The subject and the comparable sales relied upon in making said appraisal were as represented by the photographs contained in said appraisal or in the data book or report that supplements the appraisal.

That to the best of my knowledge and belief the statements contained in the appraisal attached hereto are true and the information contained therein upon which the opinion of value expressed below is based is correct, subject to the limiting conditions set forth in the appraisal.

That I understand this market value appraisal is to be used in connection with the acquisition of land or other property interest, for an airport project by _____ with the assistance of FAA funds, other Federal funds or State of Wisconsin funds.

That such appraisal has been made in conformity with the appropriate Wisconsin Statutes, regulations and policies and procedures applicable to appraisal of land for such purposes, and that to the best of my knowledge no portion of the value assigned to such property consists of items which are non-compensable under established Wisconsin laws.

That 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 reasonable control of the owner, has been disregarded in determining the compensation for the property.

That neither my employment nor my compensation for making this appraisal is in any way contingent upon the values reported herein.

That I have no direct or indirect, present or contemplated, future personal interest in such property or in any benefit from the acquisition of such property appraised.

That I have not revealed the findings and results of such appraisal to anyone other than the proper officials of the acquiring agency of said Airport or their agents or officials of the Federal Aviation Administration and I will not do so until so 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.

That the conclusion set forth in this appraisal is my independent opinion of the value of the property as of the _____ day of _____, 20____, and that such conclusion was reached without collaboration or direction as to value.

It is my opinion that the fair market value of the above captioned real property is as follows:

Value before acquisition	\$ _____
Value after acquisition	\$ _____
Value difference	\$ _____

The opinion of value expressed above is the result of and is subject to the data and conditions described in detail in this report.

Other statements, required by the regulations of an appraisal organization of which the appraiser is a member or by circumstances connected with the appraisal assignment or the preparation of the appraisal, may be inserted here.

Signature _____ Typed name _____

Date _____

Other statements, required by the regulations of an appraisal organization of which the appraiser is a member or by circumstances connected with the appraisal assignment or the preparation of the appraisal, may be inserted here.