

# Appraisal

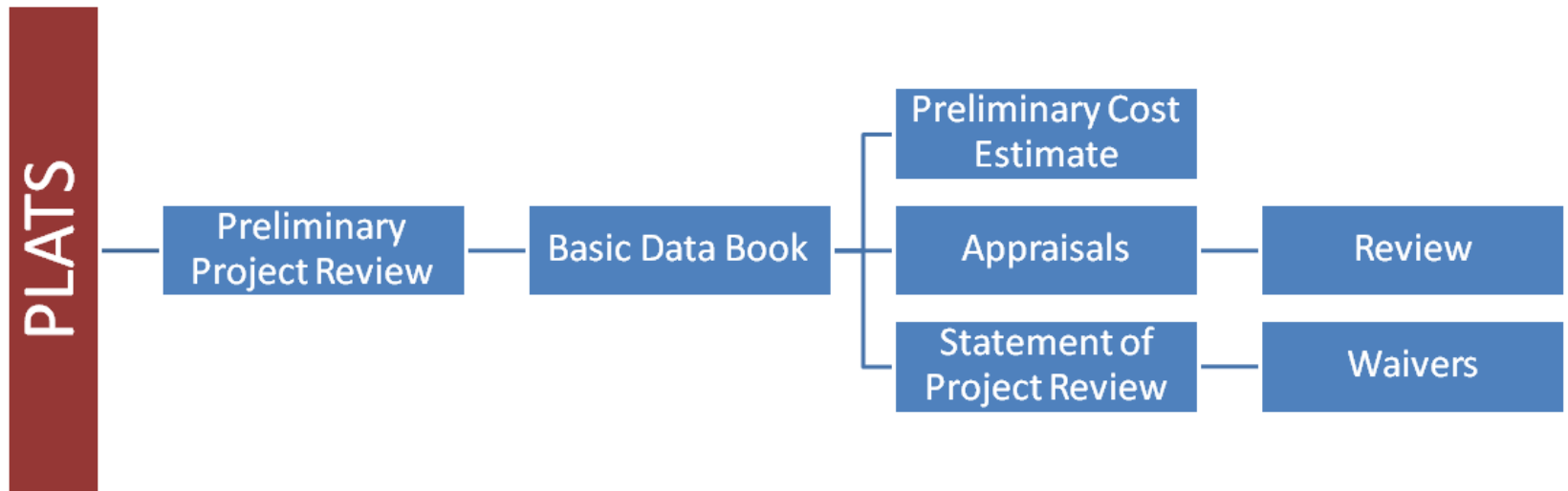
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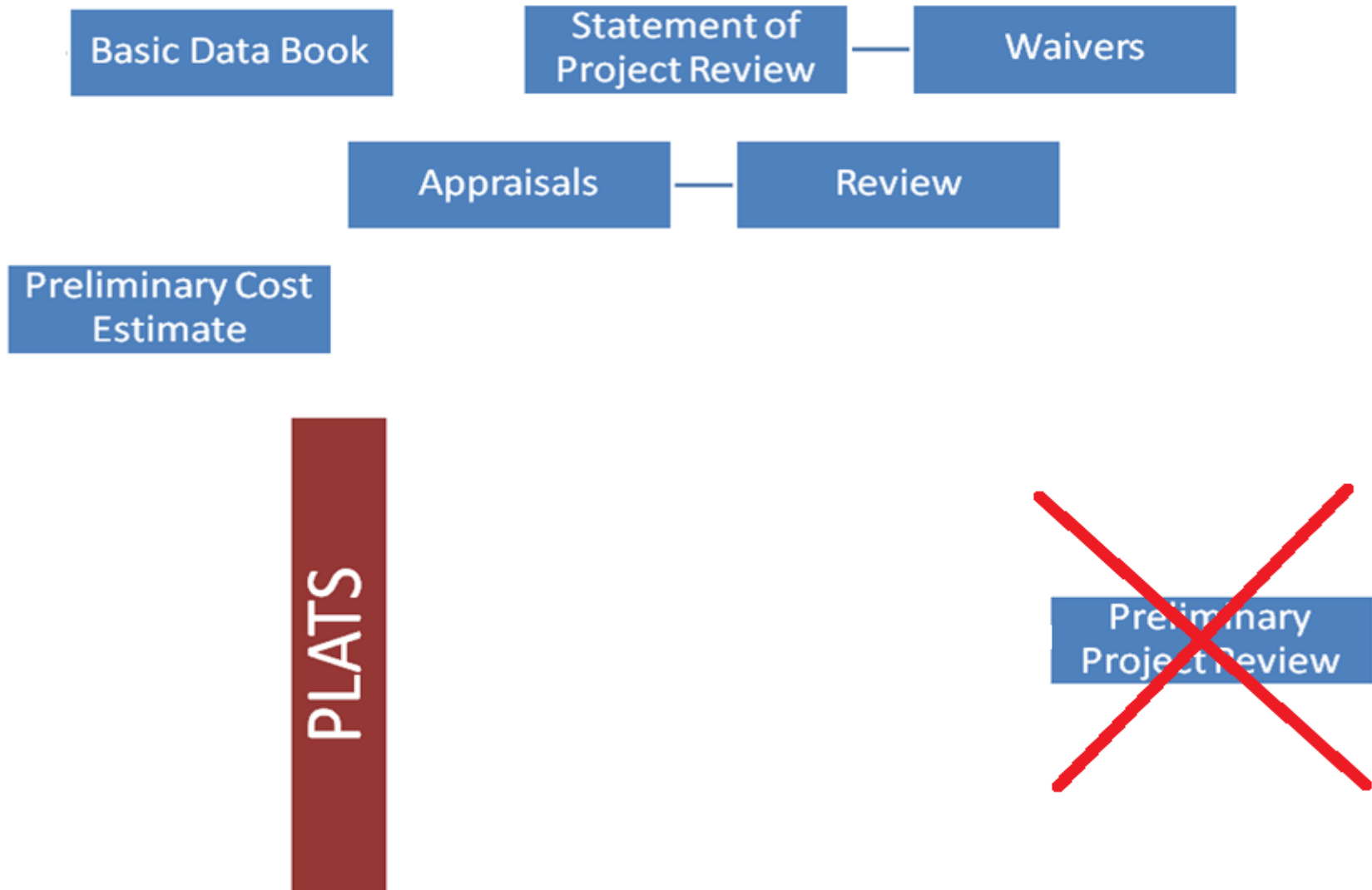
# Presentation Outline

- NDDOT Appraisal Process
- Preliminary Project Review Meeting
- Basic Data Book
- Appraisal
- Waivers
- FAQ
- Questions

# Appraisal Process



# Appraisal Process



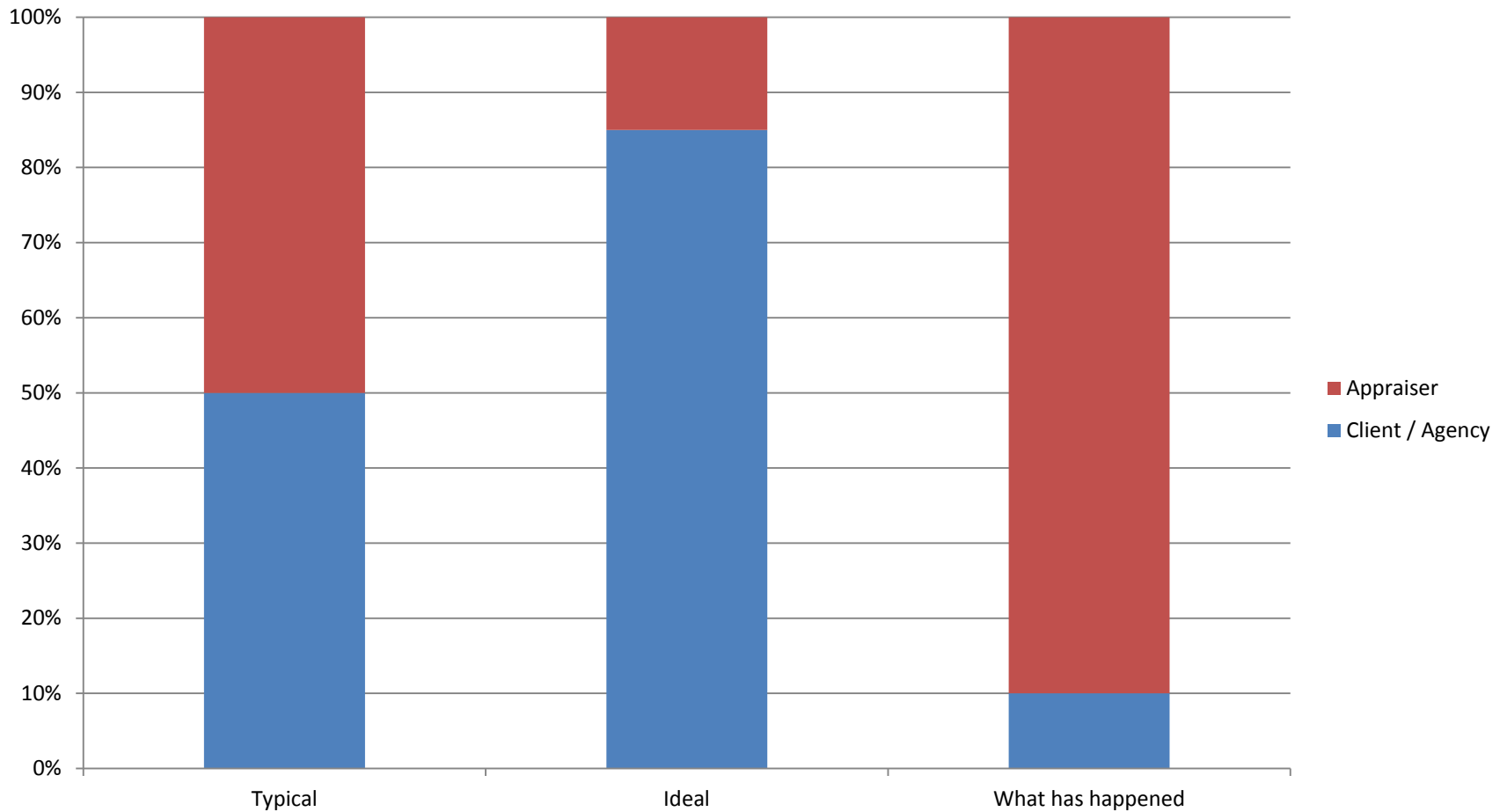
# Scope of Assignment

- The scope of work defines the general parameters of an appraisal. It is a written set of expectations that forms an agreement or understanding between the appraiser and NDDOT as to the specific requirements of the appraisal. The scope of work specifies or refers to appraisal performance requirements, such as those appearing in NDDOT Right of Way Manual.

# Scope of Work and Assignment Conditions

- Client/Agency must set parameters for appraisal assignments.
- Appraisal must include scope of work
- May include assignment conditions
  - Can be general or specific
    - General – ‘Follow the Yellow book standards’
    - Specific – ‘Include in the Data Book a value for industrial, commercial, cropland, and pasture’.

# Who determines Scope?



# Preliminary Project Review

- Mandatory on all projects.
- Small Projects
  - ROW Tech, Design Tech, Review Appraiser, and Consultant. May be a phone call.
- Large Projects
  - ROW Tech, Design Tech, Review Appraiser, Consultant, Appraiser, and Designer. May be beneficial to have negotiator present.
- Discussion of scope, problem parcels, potential issues, and appraisal process strategy.

# Basic Data Book

- Compilation of all data that will be used throughout valuation process
  - Scope
  - Assumptions and Limiting Conditions
  - Area, Regional, and Neighborhood Descriptions
  - Sales Data
  - Analysis and value conclusions

# BDB – Property types

- Must have a supported value for every type of property along project. (Fee and TCE)
  - Separate comparisons and analysis for each
  - Conclusions for each
  - May have multiple conclusions for corridor appraisals

# BDB - Values

- Value will be at the top of the range for project area.
- Appraisals may come in lower or at the same value. In rare cases should the appraisal ever be higher than basic data book value.

# BDB – when to use?

- Make it an assignment condition when it is cost effective or unknown multiple waivers
- Case 1 has 6 acquisitions, all above \$25,000.

## With Data Book

Case 1	Cost Each	Total Each	Total Cost
BDB	\$5,000	1	\$5,000
Appraisals w/o BDB	\$4,000		\$0
Appraisals w BDB	\$3,000	6	\$18,000
Waivers	\$1,000		\$0
Total Cost			\$23,000

## Without Data Book

	Cost Each	Total Each	Total Cost
BDB	\$5,000		\$0
Appraisals w/o BDB	\$4,000	6	\$24,000
Appraisals w BDB	\$3,000		\$0
Waivers	\$1,000		\$0
Total Cost			\$24,000

# BDB – when to use?

- Use it when cost effective or unknown multiple waivers
- Case 1 A has 3 under \$10,000 and 3 above \$25,000.

## With Data Book

Case 1 A	Cost Each	Total Each	Total Cost
BDB	\$5,000	1	\$5,000
Appraisals w/o BDB	\$4,000		\$0
Appraisals w BDB	\$3,000	3	\$9,000
Waivers	\$1,000	3	\$3,000
Total Cost			\$17,000

## Without Data Book

	Cost Each	Total Each	Total Cost
BDB	\$5,000		\$0
Appraisals w/o BDB	\$4,000	6	\$24,000
Appraisals w BDB	\$3,000		\$0
Waivers	\$1,000		\$0
Total Cost			\$24,000

# BDB – when to use?

- Use it when cost effective or unknown multiple waivers
- Case 2 has 6 above \$25,000, no reduction in fee with BDB.

## With Data Book

## Without Data Book

Case 2	Cost Each	Total Each	Total Cost		Cost Each	Total Each	Total Cost
BDB	\$8,000	1	\$8,000	BDB	\$8,000		\$0
Appraisals w/o BDB	\$4,000		\$0	Appraisals w/o BDB	\$4,000	6	\$24,000
Appraisals w BDB	\$4,000	6	\$24,000	Appraisals w BDB	\$4,000		\$0
Waivers	\$1,000		\$0	Waivers	\$1,000		\$0
Total Cost			\$32,000	Total Cost			\$24,000

# BDB – when to use?

- Use it when cost effective or unknown multiple waivers
- Case 2 A has 3 above \$25,000, no reduction in fee with BDB and 3 under \$10,000.

## With Data Book

Case 2 A	Cost Each	Total Each	Total Cost
BDB	\$6,000	1	\$6,000
Appraisals w/o BDB	\$4,000		\$0
Appraisals w BDB	\$4,000	3	\$12,000
Waivers	\$2,000	3	\$6,000
Total Cost			\$24,000

## Without Data Book

	Cost Each	Total Each	Total Cost
BDB	\$6,000		\$0
Appraisals w/o BDB	\$4,000	3	\$12,000
Waivers w/o BDB	\$2,500	3	\$7,500
Waivers	\$1,000		\$0
Total Cost			\$19,500

# BDB – Subject Property Identification

- Each property under acquisition must be labeled with property type in table
  - The more information, the better
- Cost Estimates of acquisitions
  - Table with total of all acquisitions by property owner
  - May need to make this an assignment condition

# Property Ownership List

Parcel	Property Owner	Size (ac)	Acquisition Type	Property Type	Unit Value	Estimated Value
1-1	Sven	0.23	Fee	Agricultural - Crop	\$1,500	\$345
1-2	Sven	1.87	TCE	Agricultural - Crop	\$38	\$71
1-3	Sven	1.25	TCE	Rural Residential	\$400	\$500
1-4	Sven	0.84	TCE	Rural Residential	\$400	\$336
1-5	Sven	0.64	Fee	Rural Residential	\$4,000	\$2,560
2-1	Ole	0.19	Fee	Agricultural - Pasture	\$900	\$171
2-2	Ole	0.74	TCE	Agricultural - Pasture	\$12.30	\$9
2-3	Ole and Lena	0.52	Fee	Industrial	\$9,000	\$4,680
2-4	Ole and Lena	0.29	TCE	Industrial	\$720	\$209

# Property Owner Summary Table

Parcel	Property Owner	Size (ac)	Acquisition Type	Fee Compensation	TCE Compensation	Summation
1-1	Sven	0.23	Fee	\$345		
1-2	Sven	1.87	TCE		\$71	
1-3	Sven	1.25	TCE		\$500	
1-4	Sven	0.84	TCE		\$336	
1-5	Sven	0.64	Fee	\$2,560		
Total				\$2,905	\$907	\$3,812
2-1	Ole	0.19	Fee	\$171		
2-2	Ole	0.74	TCE		\$9	
Total				\$171	\$9	\$180
2-3	Ole and Lena	0.52	Fee	\$4,680		
2-4	Ole and Lena	0.29	TCE		\$209	
Total				\$4,680	\$209	\$4,889

# Minimum Payment Policy

- Used to expedite the acquisition process.
- Fee simple acquisitions (we take all rights)
  - \$600 per property owner
- Leased Fee acquisitions (Temp Const Easemt)
  - \$300 per property owner

# Calculating Minimum Payment

Parcel	Property Owner	Size (ac)	Acquisition Type	Fee Compensation	TCE Compensation	Summation
1-1	Sven	0.23	Fee	\$345		
1-2	Sven	1.87	TCE		\$71	
1-3	Sven	1.25	TCE		\$500	
1-4	Sven	0.84	TCE		\$336	
1-5	Sven	0.64	Fee	\$2,560		
Total				\$2,905	\$907	\$3,812
2-1	Ole	0.19	Fee	\$171		
2-2	Ole	0.74	TCE		\$9	
Total				\$600	\$300	\$900
2-3	Ole and Lena	0.52	Fee	\$4,680		
2-4	Ole and Lena	0.29	TCE		\$209	
Total				\$4,680	\$300	\$4,980

# Appraisal

- When?
  - Over \$10,000 AND property owner does not accept the waiver (requests appraisal)
  - Over \$25,000
  - Complex property – damages, improvements within take, change in H&BU
    - When complex, the appraisal report should be self contained and not rely on a Basic Data Book

# Appraisal

- Expectations
  - Report will conform to ROW manual, the Uniform Act, USPAP, and generally follow the ‘yellowbook’ (UASFLA) standards.
  - Must have supported conclusions
  - Must conform to scope and assignment conditions

# Other items considered

- Fences
  - NDDOT has a schedule that should be used when valuing the moving and replacement of fencing
- Other items
  - When other items need to be replaced or moved, two professional bids should be obtained to determine cost to cure. Trees, tanks, drives, etc.

# Appraisal Review

- Reviewer has the option to Recommend, Accept, or Not Accept an appraisal.
- If not accepted, the appraiser is given the opportunity to make changes to bring it to an acceptable condition.
- If there is not time or appraiser is unable or unwilling to change, reviewer can take data provided and with own research, submit their own value.

# What needs to be reviewed

- Basic Data Book
- All Appraisals
- Any waiver that has been altered from Statement of Project Review approval



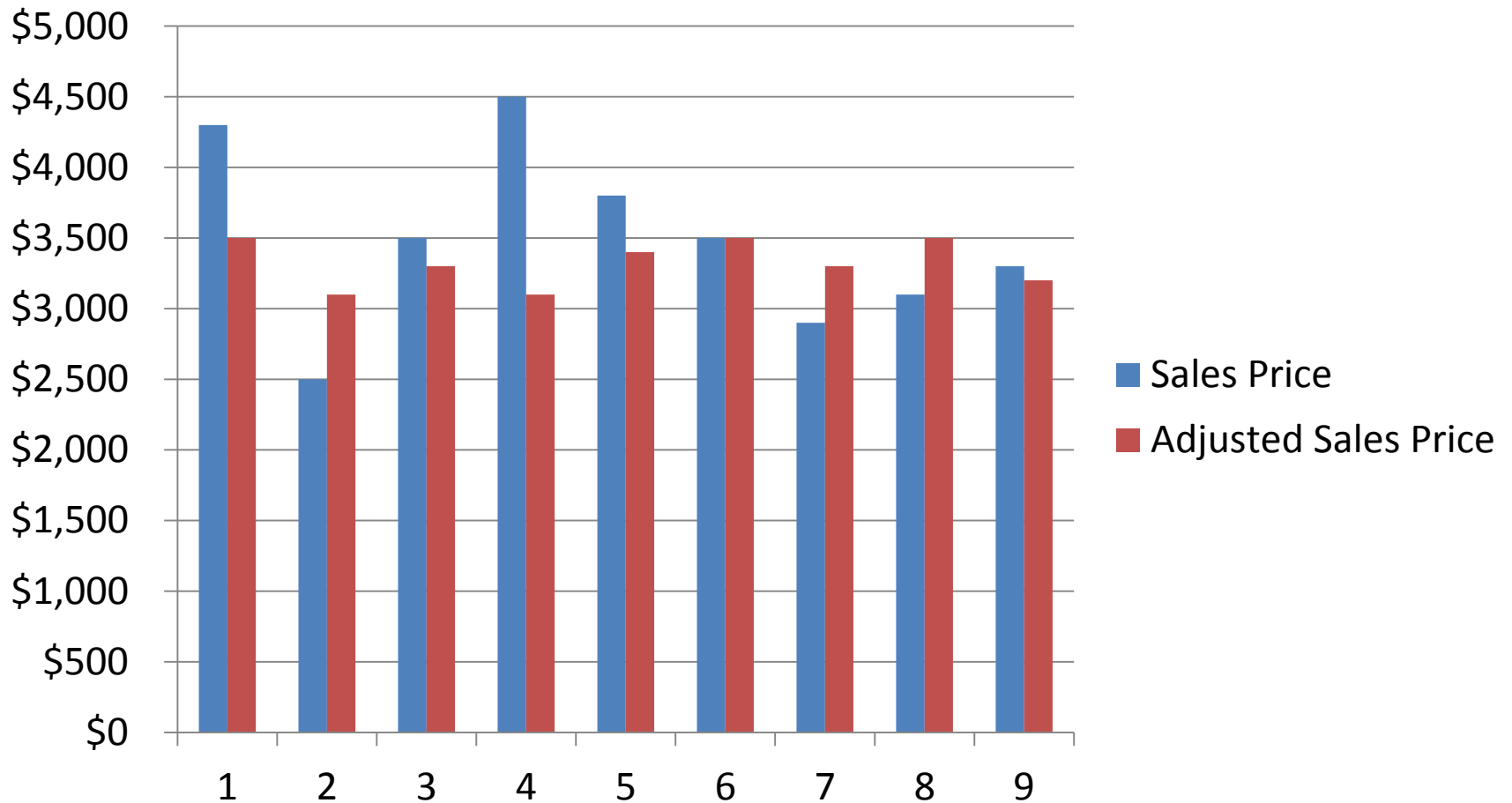
# Common Errors and Omissions

- Did not allow property owner the right to accompany
- No support for value
- Over analyzing non market data when market data is available
- Not properly addressing the H&BU
- Wrong definition of market value

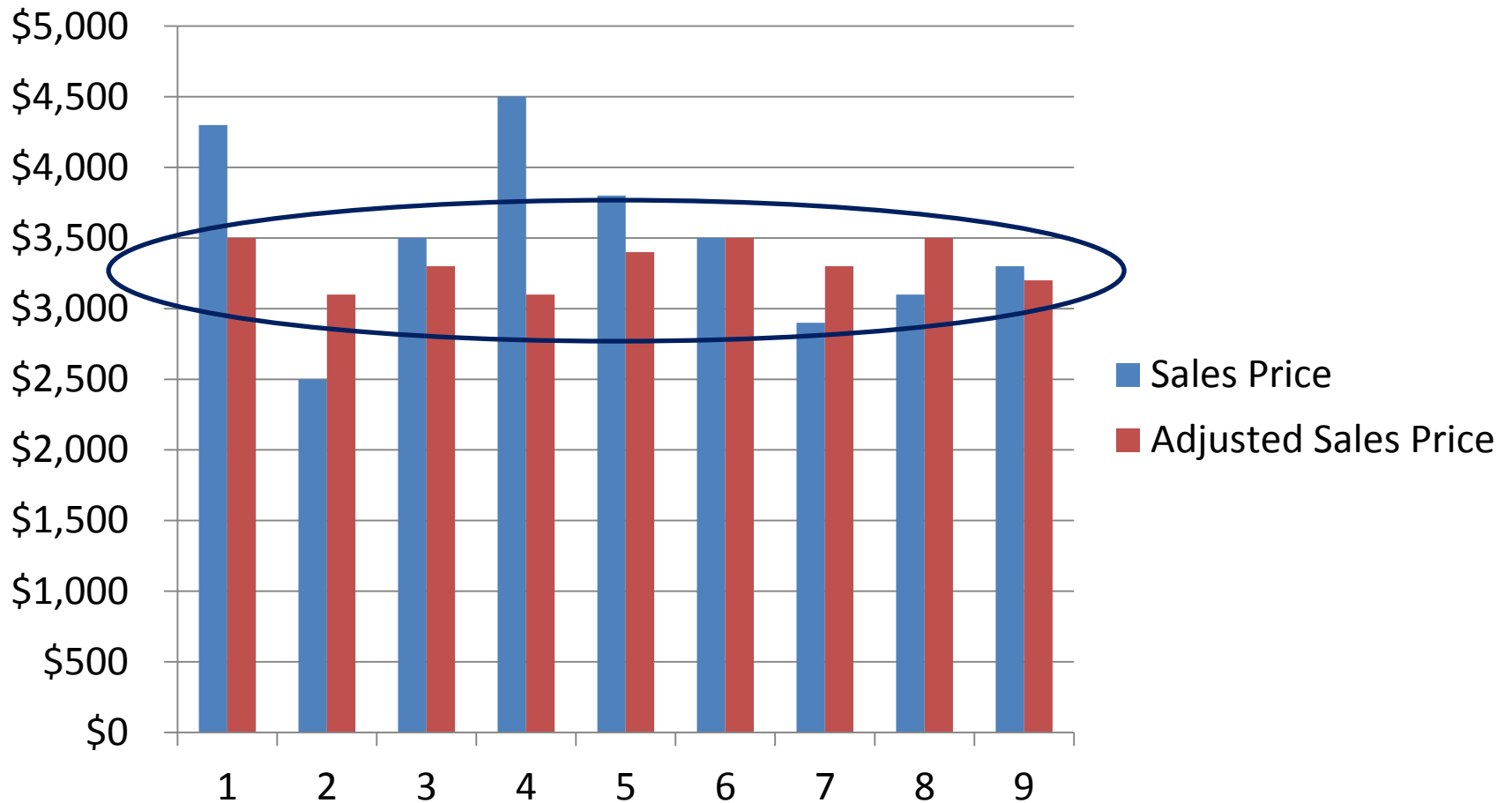
# Market Value

- Market Value - the highest price for which property can be sold in the open market by a willing seller to a willing purchaser, neither acting under compulsion, and both exercising reasonable judgment.

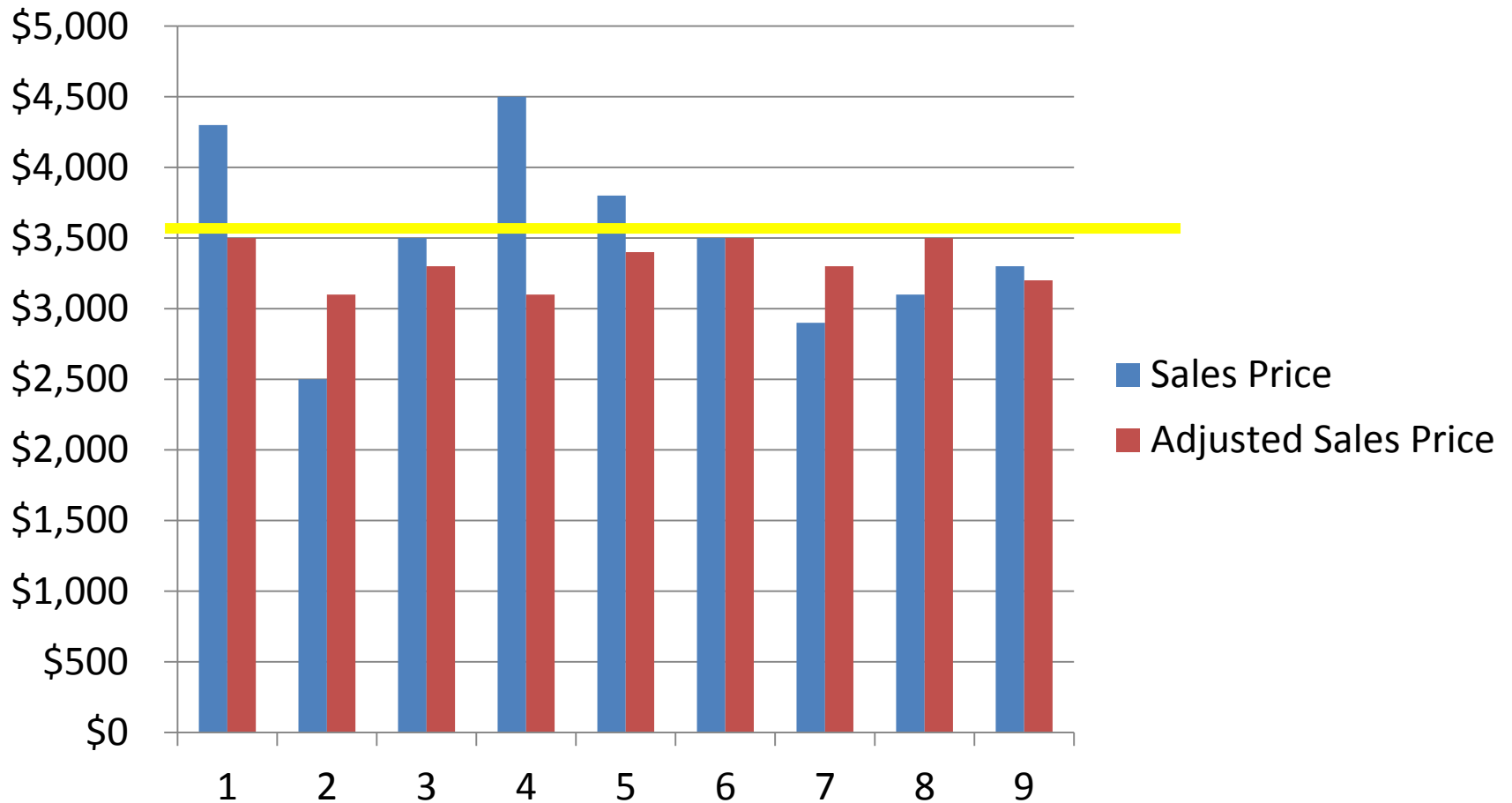
# Highest Supportable Value



# Highest Supportable Value



# Highest Supportable Value



# Waiver Valuations

- What is a waiver?
  - The waiver is the process used and the product produced when an appraisal is not required.
  - Must have some basis for valuation
  - Must be done by someone knowledgeable of market
    - Appraiser, Realtor, ROW Agent
      - If completed by Appraiser, it could be considered an appraisal
      - If over \$10,000, can not be completed by the negotiator

# Examples of waiver support

- There are three sales in the area that are considered comparable. Each sold within the last year and sold at prices of \$1,100, \$1,185, and \$1,200 per acre. Based on these three sales, I conclude a value of \$1,200 per acre.
- Basic data book said \$3,200 per acre, therefore I conclude a value of \$3,200 per acre.

# Waiver support continued

- The taking is 78 SF TCE of residential land. There are no residential sales in the past 5 years. The highest property value seen in town was \$1.25 per SF for a commercial lot which sold within the last 3 months. Typically commercial land sells for higher prices than residential. A capitalization rate of 9% is estimated based on neighboring town. In order for the compensation to exceed minimum payment, the land unit value would have to exceed \$42.73 per SF. Minimum payment is offered.

$$78 \text{ SF} \times \$42.73 \times 0.09 = \$299.96$$

# Waiver support continued

- The acquisition is a TCE of 13.8 acres. According to the ag stats book provided by the National Ag Statistics Service and through the NDSU extension service, the cropland in the subject county ranges from \$18.50 to \$27.00 per acre. The subject has a high crop productivity index and is in a good location. I conclude a rental rate for the subject to be \$27 per acre.

Total compensation is estimated at \$373.

# Waiver support continued

- No sales were found in the area. According to the County Assessor, values for the subject property range from \$2,200 to \$2,500 per acre. According to the local broker, there have been no sales in three years but the last known sale was \$2,490 per acre and there is no indication of any increase. A few local farmers that were interviewed in the area felt like their land was worth \$2,500 to \$3,000 per acre. I conclude a value of \$2,500 per acre.

# Waiver Facts

- Property owners should know
  - they have the right to an appraisal if the value is between \$10,000 and \$25,000. They must sign the form requesting an appraisal.
  - Waivers tend to be on the high side of values
  - If appraisal requested, whatever the appraised value is, higher or lower, that is the offer and it can not be reversed.

# Donation

- Property owners have the right to donate the property to the state.
- Should be presented as an option first visit.
- Should not be coercion.
- Benefits
  - Easy signature
  - Quick process
  - No W-9

# Larger Parcel

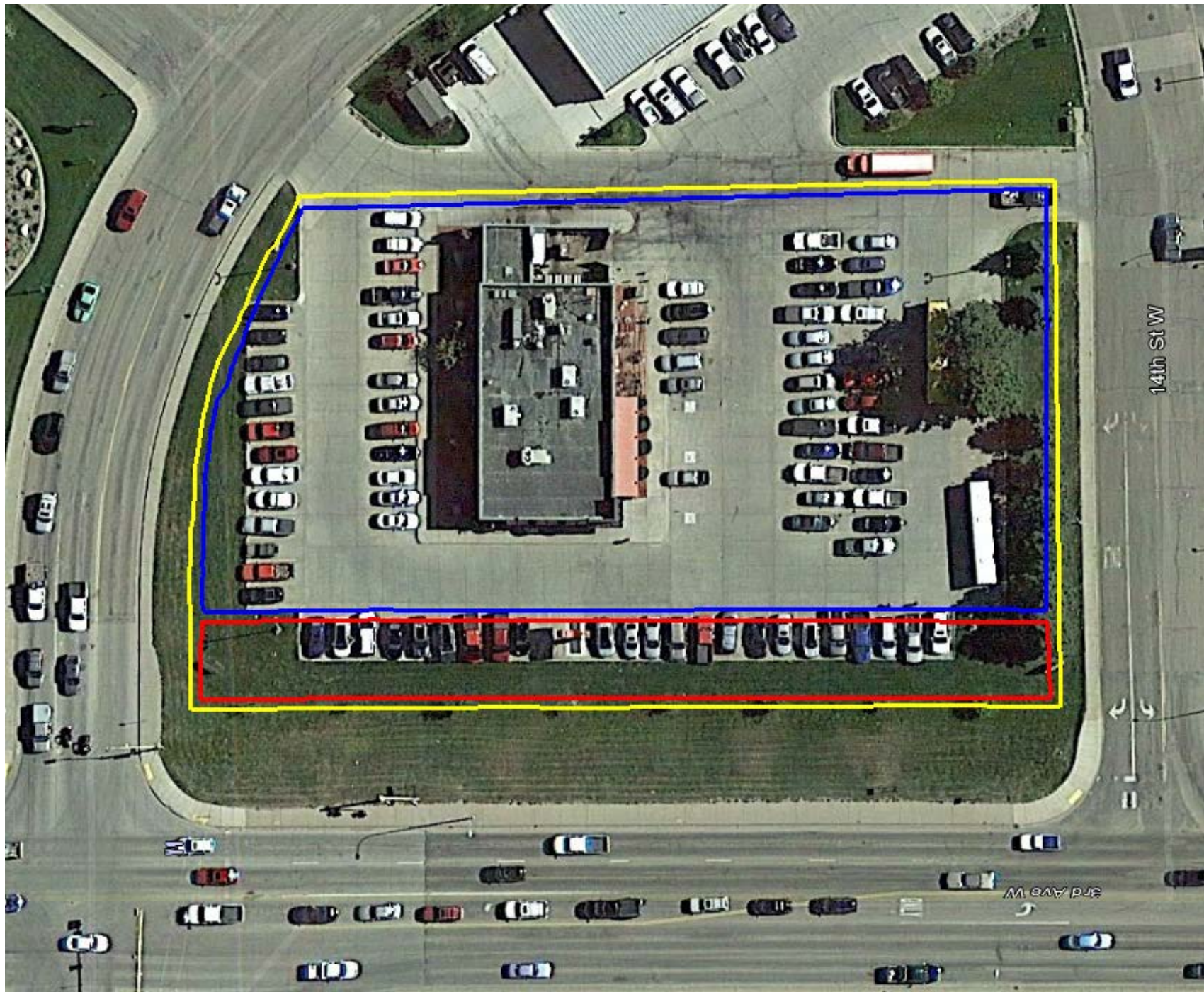
- Must have
  - Unity of ownership
  - Contiguous
    - Courts have determined that this is not always true.
  - Unity of use
    - Typically based on highest and best use.

# Damages

- Damages occur when the value of the remainder after the take is less than the value of the remainder before the take.
- Consequential damage is any loss in value arising to a change in value because of project. (Feed lot next to residential)
- Severance damage is any loss in value because of a diminution of value to what is remaining. (not enough room for development)

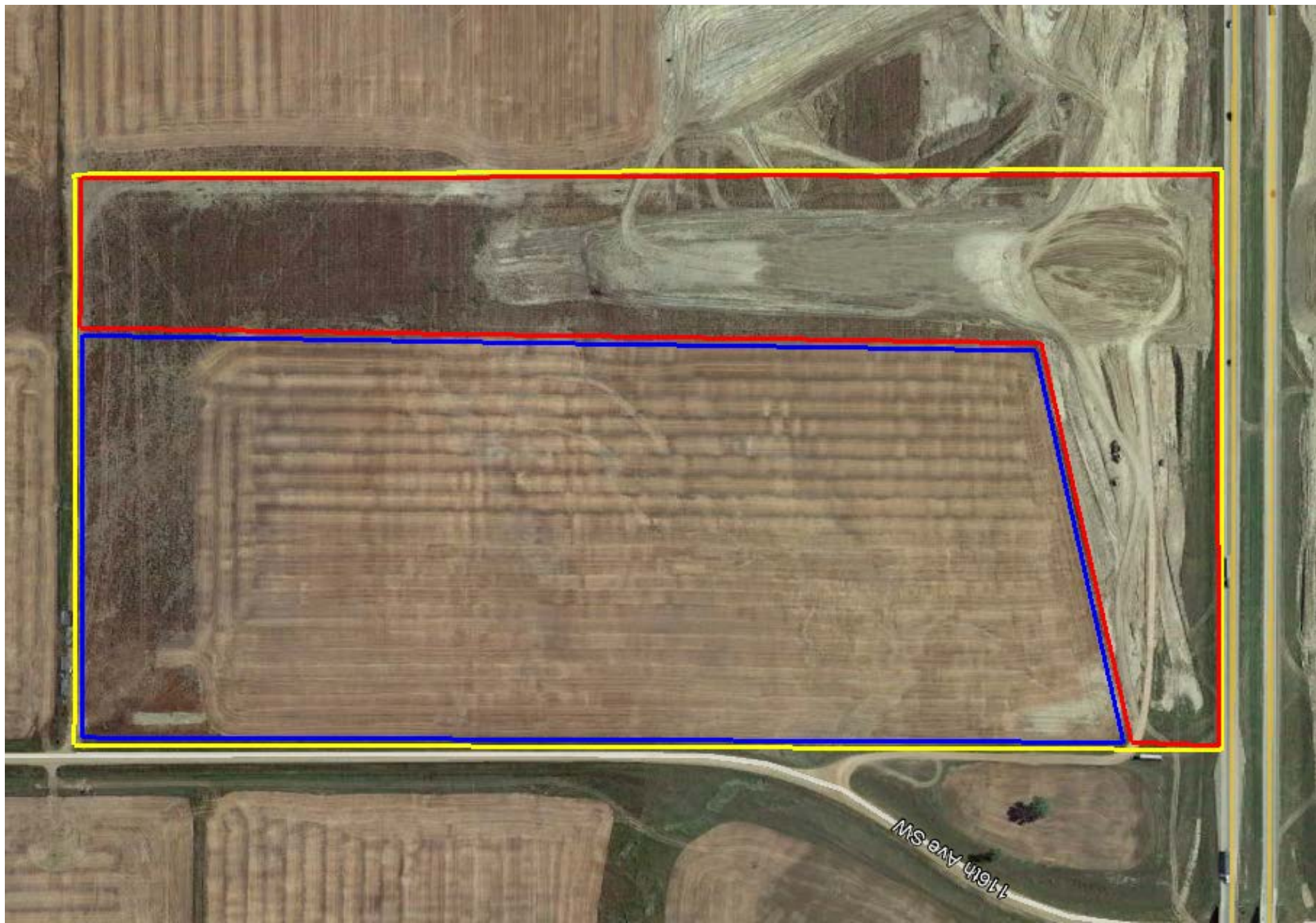
# Damages continued

- NDDOT can not pay for damages caused by
  - Damage to business.
  - Loss of good will.
  - Loss of profits due to necessity of moving business to some other location.
  - Loss of profits due to interruption of business.
  - Noise and fumes caused by increase of traffic.
  - Damages due to annoyance and inconvenience.
  - Circuitry of travel.
  - Rerouting or diversion of traffic.
  - Increase or decrease in the amount of traffic on the highway.



# Benefits

- In North Dakota, special benefits, when present, offset compensable damages to the remainder. Special benefits cannot be used, however, to offset the value of the property being acquired. There are no net damages when the amount of special benefits equals or exceeds compensable damages.
- Need to be addressed, even if not calculated.



$$\begin{aligned}
& \text{Value before taking} \\
& \quad - \text{ Value of part taken} \\
= & \text{Remainder value before taking} \\
& \quad - \text{ Remainder value after taking} \\
& \quad = \text{Damages to remainder} \\
& \quad - \text{ Special benefits to remainder} \\
& \quad \text{Net damage to remainder} \\
& \quad \quad + \text{ Value of part taken} \\
& \quad = \text{Just compensation}
\end{aligned}$$

# Questions



# February Meeting

- Wednesday, February 15<sup>th</sup> - 12:00-1:00pm CST
  - Consultant Services
    - Contractual Procedures