

C. GENERAL STANDARDS OF A MISCELLANEOUS NATURE

C-1. IMPORTANCE OF THOROUGH APPRAISALS: Accurate appraisals, based upon sound legal principles and made by competent, qualified appraisers, are necessary and required¹ to properly protect the interests of the government and to expedite payment of just compensation to property owners.

All appraisals should be made with recognition of the possibility that the question of value may be litigated, since it is not possible to predetermine how many tracts within an area will be acquired by voluntary conveyance. Therefore, "[t]he appraiser should begin preparing for trial the moment the appraisal assignment is received."² Accordingly, in making all appraisals, a complete, detailed inspection of the property and full consideration of applicable principles are necessary so that there may be an adequate presentation of the government's case. The fact that an appraisal may require revision prior to trial to bring the effective date of the appraisal into conformance with the legal date of taking does not excuse an ill-prepared initial appraisal. All appraisals are often subject to discovery, thus the appraiser may be embarrassed, and the government's case weakened, by poorly prepared initial appraisals.

The importance of sound appraisals cannot be overemphasized. This is so not only because the courts have established basic rules governing the exercise of the power of eminent domain but because of the government's obligation to serve the general public and to protect the common welfare by paying just compensation whenever private property is needed for public use. It is for these very reasons that these appraisal standards, and the government's review process, are so arduous. "However, . . . the appraiser must not let this regimented appraisal procedure and review process constrain his thinking and limit his professional judgment."³

¹ 49 C.F.R. Part 24.

² Real Estate Valuation in Litigation, p. 352.

³ Ibid., p. 336.

C-2. RESPONSIBILITY OF THE APPRAISER: As detailed further under the heading "Impartiality,"⁴ it is expected that appraisers will be unbiased in their work. They must exercise sound judgment based on known pertinent facts and circumstances and it is their responsibility to obtain knowledge of all pertinent facts and circumstances which can be acquired with diligent inquiry and search. They must then weigh and consider the relevant facts with good judgment and make their decision, entirely on their own, in a sound professional manner, completely unbiased by any consideration favoring either the owner or the government. The appraisal report should be documented and supported so as to convince an impartial reader of the soundness of the appraiser's estimates, within the limits of integrity, judgment and ethics.

"Probably one of the greatest weaknesses of Appraisers is the inability to communicate their findings without any question of doubt. Report writing is truly an art, and with semantics, the problem in our language what it is, this is understandable; however, . . . the appraiser should make every attempt to project or clarify what is in his 'mind' into the written word, which is also clearly understandable to his client, even if it takes more work."⁵

If called upon to testify, the appraiser should marshal his or her facts and opinions so as to adduce them in a clear, concise and sincere manner. It should never be necessary for court or counsel to request an appraiser to speak more loudly in order for the appraiser to be heard. Unless the jury, commissioners or court can hear the testimony, the appraiser cannot possibly achieve the very purpose of their employment, i.e., to convince the tribunal which will determine the award or verdict of the soundness of the appraiser's estimate of value. The appraiser should set high standards of performance and render the best possible service.

Appraisers are urged to bear in mind that the reputable member of the appraisal profession has little to offer except an adequately supported judgment. To enjoy the fruits of their labor appraisers must be the personification of honesty and integrity. Appraisers must be counted on to do what is right and not barter their personal honor or lower their standards for personal gain. Appraisers must adhere rigidly to ethical rules of conduct in their relations with employer and with the public. The most profitable and worthwhile asset of appraisers is their reputation for these things. If appraisals are prepared in the true spirit of these high standards of personal service, the fulfillment of the appraiser's important responsibilities will be complete.

⁴ C-3, infra, p. 91.

⁵ The National Association of Review Appraisers, ed., Principles and Techniques of Appraisal Review (St. Paul, Minn.: Todd Publishing, 1980) p. 20.

In order to be properly prepared to testify as to value in court, and to render the utmost assistance to counsel in preparation for trial, the appraiser needs, in making an appraisal for purposes of eminent domain, to consider all relevant methods of valuation. While an appraiser may be positive that only one method or theory is sound, appraisers are required to consider all methods of valuation by their professional standards,⁶ as well as the standards set forth herein. In addition, neither the appraiser nor trial counsel can predict the scope of the cross-examination or the evidence which will be adduced by the opposing party, to which the appraiser may be called to testify in rebuttal. Accordingly, the appraiser should give thought to all possible methods and theories and be prepared to explain why he or she considers those not relied upon to be irrelevant to the appraisal problem at hand.

C-3. IMPARTIALITY: "Although the appraiser is an advocate of his opinion, there must be nothing in his testimony or demeanor which suggests advocacy for his client's interest."⁷ The role of client advocate is exclusively reserved to the attorney. The appraiser is employed to express an opinion of value, which, to warrant being accorded weight must be supported by factual data.⁸ While it is important that an appraiser testify with sincerity in support of his views, it is also important that he bear in mind that it is neither his property nor his money and his only function is to testify to his impartial opinion of value. When a witness assumes the role of an advocate he is apt to harm both himself and his client's case. "Experience has shown that triers of fact have an uncanny knack for distinguishing between the expert witness who is an advocate for his client and is testifying to a false value, and the one who is testifying to his unbiased opinion of value. . . . The appraiser who cannot ignore the interests of the client and develop an unbiased, supportable opinion of value will have a short professional career."⁹

An appraiser, whether staff or contract, who has a present, prospective, or future interest in a property, the owners, mortgagees, or other lienholders is, for obvious reasons, ineligible to appraise the particular property for eminent domain purposes.

C-4. WITNESS COMPOSURE: "It has been said that 'cross-examination takes the place in our legal system that torture occupied in the medieval systems of civilization.' 'The purpose of cross-examination is to dilute, neutralize or completely destroy the effect of the witness's direct testimony' and appraisers have sagely been advise that '[c]ross-examination is the anvil of truth and you must be prepared for a thorough hammering."¹⁰ When on the witness stand the appraiser should keep in mind that "[a]nger is the sign of

⁶ Uniform Standards of Professional Appraisal Practice (The Appraisal Foundation, 1990).

⁷ Real Estate Valuation in Litigation, p. 395.

⁸ Washington v. United States, 214 F.2d 33, 43 (9th Cir., 1954) cert. denied, 348 U.S. 862 (1954).

⁹ Real Estate Valuation in Litigation, p. 354.

¹⁰ Ibid., pp. 390-91. (Citations omitted.)

defeat and capitulation."¹¹

¹¹ John P. Hogan, "Ten Court Room Commandments for Appraisers," Right of Way, October 1959, p. 25.

C-5. CONTACTING LANDOWNERS: During the course of inspecting the property being appraised, the appraiser is expected to see and talk personally to the owner or, in the owner's absence, the owner's agent or representative. If the appraiser is advised that the property owner is represented by legal counsel, all owner contact and property inspections should be arranged through the owner's attorney. Owners are generally a prime source of detailed information concerning the history, management and operation of the property. In compliance with the provisions of Public Law 91-646,¹² the owner or the owner's designated representative must be given an opportunity to accompany the appraiser during his or her inspection of the property.

C-6. CONTRACTING FOR APPRAISAL AND OTHER EXPERT WITNESS SERVICES: It cannot be emphasized too strongly that careful selection and coordination with contract appraiser(s) is paramount in the successful negotiation or condemnation of an interest in real estate. It is important to obtain the contract services of the best qualified and available appraisers within the rules governing the contracting process.

While price is certainly a consideration, more important factors involve appraisal experience, education, professional reputation, court experience and demonstrated competency.

"U. S. Attorneys should insist that acquiring agencies which they represent use only appraisers who have been approved by the Department [of Justice] as being acceptable for presentation of expert testimony. Where appraisers who are not adequate for this purpose are employed, money is wasted, since it will be necessary to expend more money for additional appraisals of the same property, and the government may be required to change estimates of value in midstream, thereby impairing settlement opportunities."¹³

Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, amended, (FIRREA)¹⁴ requires the establishment of state programs for the licensing and certification of appraisers. 49 C.F.R. 24.103(d) will be amended to provide that, if a detailed appraisal is necessary, and the agency employs a contract appraiser to perform the appraisal, such appraiser must be certified in accordance with Title XI of the FIRREA. Therefore, as state programs are implemented, which must be no later than December 31, 1992, only those contract appraisals prepared by certified appraisers will be acceptable for federal condemnation purposes.

The Department of Justice may make an exception to this rule on a case by case basis as where timber, mineral or other valuation specialists may or may not be required to hold a state license or certification as an appraiser. When a specialist is hired, who may not be required to be state certified, those responsible for hiring the specialist should study qualifications, experience, work products, references, etc., to be sure the specialist is well qualified for the valuation task to be performed.

¹² 42 U.S.C. §§4601-4655.

¹³ U. S. Attorney's Manual, Vol. II, Title 5, 5-15.964.

¹⁴ P.L. 101-73, 103 Stat. 183, 511 (Aug. 9, 1989).

Real estate appraisal is becoming more and more sophisticated. Appraisers are finding that to prepare an adequately supported estimate of market value, it is necessary to employ the assistance of specialized consultants. Agencies should attempt to identify the need for such special consultants prior to issuing an appraisal assignment and make arrangements for such services, either by contracting with the consultant directly or by providing for the retention of the consultant by the appraiser in the appraisal contract. If the appraiser finds that an appraisal cannot be completed without the assistance of a consultant the appraiser should notify the agency involved immediately. The appraiser should not adopt unreasonable or unsupported assumptions in making an appraisal in lieu of obtaining specialized consultant assistance.

The types of special consultants most often needed include:

- Equipment and machinery appraisers
- Environmental engineers and auditors
- Civil engineers
- Cost estimators or contractors
- Marketing experts
- Feasibility and planning experts
- Geologists/mining engineers/mineral specialists
- Hydrologists
- Timber cruisers/foresters
- Communications experts

Whether special consultants are retained by the agency or the appraiser, it is the agency's responsibility to identify the scope of work and establish qualification criteria.

It is important in contracting for appraisals to be sure that the individual appraiser with whom the contract is made actually prepares, or is principally responsible for, the appraisal and will testify in court.

C-7. CONFIDENTIAL NATURE OF APPRAISALS: Appraisers' valuations and supporting appraisal reports are confidential information and the appraiser shall not divulge his or her findings and opinions to anyone except authorized officials of the government. Once an eminent domain action has been filed, authorization for disclosure must be in writing from the government's legal counsel assigned to the case.¹⁵ Any appraisal report prepared for the purpose of government acquisition should be construed to be the subject of potential litigation until such time as the government has consummated its acquisition.

The Department of Justice strongly recommends that agencies not disclose the contents of appraisal reports

¹⁵ It is the policy of the Department of Justice that this prohibition against disclosure during pendency of litigation without written authorization from the government's legal counsel extends to professional peer review committees and to state and local appraiser licensing and/or certifying agencies. This policy is considered a "jurisdictional exception" to the Uniform Standards of Professional Appraisal Practice (The Appraisal Foundation, 1990).

beyond that required by P.L. 91-646 during the negotiation process. Agencies shall not divulge the contents of an appraisal report to anyone, without authorization from the Department of Justice, once a case has been referred to the department for the filing of a condemnation action.

C-8. APPRAISAL REVIEW: The review of appraisal reports by a qualified reviewing appraiser is required. The minimum requirements for an appraisal review process are found in 49 C.F.R. 24.104. In addition, standards for appraisal review established by The Appraisal Foundation¹⁶ should be considered a minimum requirement for reviewing an appraisal and reporting the results thereof. In accordance with the foregoing, prior to the adoption of an appraisal of property having more than token value, the reviewing appraiser for each agency should attach to the appraisal the written review report or review memorandum indicating the scope of his or her review and supporting the action recommended.

It is the review appraiser's responsibility to determine whether the appraisal is adequately supported, whether it complies with recognized appraisal principles and practices, these standards, and whether it conforms to governing legal premises as prescribed by legal counsel.

Appraisals supplied by an agency to the U. S. Department of Justice in support of a request to condemn a tract of land or interest in real estate are to be reviewed by the Appraisal Unit of the Department of Justice. It is the responsibility of the Appraisal Unit to insure that sound and proper appraisals are at hand for early settlement negotiations or for trial purposes. In this regard, the review by the Appraisal Unit shall identify weaknesses and strengths of the government's appraisal(s) and the landowners appraisal(s) and recommend actions that can be taken by the government's appraiser and/or attorney prior to trial to strengthen the government's case.

¹⁶ Uniform Standards of Professional Appraisal Practice (The Appraisal Foundation, 1990), Standard 3.

C-9. APPRAISER INSTRUCTIONS, ASSUMPTIONS AND LIMITING CONDITIONS: An appraiser cannot make an assumption or accept an instruction that is unreasonable or misleading.¹⁷ Nor can an appraiser make an assumption that corrupts the validity of the value estimate.¹⁸ For example, it is improper to estimate the market value of a property assuming it is free of contamination when there is evidence, by the past use of the property or the appraiser's inspection thereof, that contamination may exist.¹⁹ Recognizing that an "assumption" is a "statement accepted or supposed true without proof or demonstration,"²⁰ it would also be improper to assume that a property was, or could be, rezoned.

Circumstances arise when agencies or their legal counsel need to provide some instruction to the appraiser. Agency instructions and/or legal instructions must have a sound foundation, must be in writing and must be

¹⁷ "A[n appraiser] is permitted to accept an appraisal assignment that is based upon a hypothetical posited by a client or required by a legal instruction from the client's attorney only if

- "(a) the [appraiser] makes a careful investigation of the relevant economic, legal, and physical factors and concludes that such hypothetical condition is likely to be realized in the foreseeable future, and reasonable persons, given the same information, could reach the same conclusion;
- "(b) the appraisal report . . . setting forth the results of such appraisal clearly and accurately describes the investigation made and explains the basis for such conclusion; and
- "(c) the appraisal report . . . setting forth the results of such appraisal clearly explains the hypothetical condition and its effect upon the analyses and opinion in the report. . . . In such case, the [appraiser] must use great care to make certain that the report . . . is designed to prevent any misunderstanding by the users of the report or the public." "Code of Professional Ethics of the Appraisal Institute" (1991), Cannon 3, E.R. 3-5, p. A-19. See also, Uniform Standards of Professional Appraisal Practice (The Appraisal Foundation, 1990), Ethics Provisions (Conduct), p. B-2.

¹⁸ "Where unwarranted theories of law or assumptions of fact guide the expert and are used as a basis of value by the Court, the evaluation will be set aside and the cause remanded for new findings." United States v. Honolulu Plantation Co., 182 F.2d 172, 178 (9th Cir., 1950), cert. denied, 340 U.S. 820 (1950).

¹⁹ For guidance, see "Guide Note 8, The Consideration of Hazardous Substances in the Appraisal Process," Guide Notes to the Standards of Professional Appraisal Practice (The Appraisal Institute, 1990).

²⁰ William Morse, ed., The American Heritage Dictionary (Boston: Houghton Mifflin Co., 1976), p. 80.

included in the appraisal report.²¹

"Instructions by an attorney to the appraiser on a matter of law are certainly a proper element to be expressed in the attorney-appraiser relationship, but instructions to the appraiser on valuation are another matter. The appraiser has the choice of accepting or rejecting the attorney's [valuation] premise. Once accepted without reservation, the premise becomes the appraiser's responsibility.²² "Opinions expressed by an attorney that are not valid and are without foundation should be disregarded by an appraiser."²³

Once received by the appraiser, written legal instructions which have a proper foundation must be accepted by the appraiser. "The adoption of any legal instruction must, of course, be conspicuously noted in the appraiser's written appraisal report."²⁴

²¹ Agency and legal instructions fall under the definition of "Reports Prepared by Licensed or Certified Non Real Estate Appraisal Professionals." Such reports "are generally based on accepted procedures or standards and represent informed opinions on matters beyond the appraiser's expertise. Absent reasonable doubt, these reports usually can be accepted conditioned upon the qualification that they were prepared by recognized professionals." "Guide Note 6, Reliance on Reports or Information Prepared by Others," Guide Notes to the Standards of Professional Appraisal Practice, (The Appraisal Institute, 1991), p. D-14.

²² Divergences in Right-of-Way Valuations, National Cooperative Highway Research Program Report No. 126 (Washington, D. C.: Highway Research Board, 1971), p. 12.

²³ Ibid., p. 16.

²⁴ Real Estate Valuation in Litigation, p. 439.

C-10. APPRAISER'S USE OF CONSULTANT'S REPORTS: Appraiser's are having to rely more and more on consultant's reports in regard to technical issues.²⁵ However, the appraiser cannot merely accept such consultant reports as accurate.²⁶ The appraiser must review such reports and adopt them only if reasonable and adequately documented and supported. The results of secondary valuation reports, such as mineral, equipment or timber valuations, cannot simply be added to the value of the land to arrive at a value of the property as a whole, without proper analysis by the appraiser. To do so is a violation of the unit rule²⁷ and professional standards.²⁸ The appraiser must consider these components of the property only in light of how they contribute to the value of the property as a whole.

If a consultant's services are used to assist an appraiser estimate a "cost to cure" damage amount in a partial acquisition, the appraiser must review and analyze the cost estimate with great care. It must be remembered that a cost to cure method of estimating a diminution in value is only valid when the cost to cure is less than the diminution in value if the cure is not undertaken. Even though a cost to cure method of estimating the diminution of value may be appropriate, it must be remembered that the remainder property is still to be valued in its uncured condition. Therefore, it is important that any cost to cure estimate of damage include not only the direct costs of the cure, but also indirect costs, effects of delay, if any, and, if appropriate, an entrepreneurial profit factor. "[T]o give no consideration whatsoever to entrepreneurial profit when estimating an appropriate cost to cure adjustment is ludicrous."²⁹

C-11. TEMPORARY TAKINGS: In addition to permanent takings, the government may take land, or an interest therein, temporarily. Often, such temporary takings are in the form of a temporary construction easement, or TCE, and abut the boundaries of a permanent taking. "After the initial construction of the public improvement is completed, the construction easement is extinguished and the unencumbered fee interest in the land reverts back to the owner. The fact that a taking is temporary in nature does not relieve the sovereign from paying just compensation.

²⁵ For list of typical consultants, see C-6, supra, p. 93.

²⁶ See "Guide Note 6, Reliance on Reports of Information Prepared by Others," The Appraisal Institute, 1991.

²⁷ See A-13, supra, pp. 27-28.

²⁸ Uniform Standards of Professional Appraisal Practice (The Appraisal Foundation, 1990), Standard Rule 1-4(d).

²⁹ Real Estate Valuation in Litigation, p. 182.

"Damages that result from temporary construction easements are usually based on the economic rent of the affected area for the term of the temporary easement; in the absence of rental data, the appropriate rate of return on the land for the term of the easement is estimated.³⁰ "The rent loss (or appropriate return) is seldom converted to a present value through the application of a discount rate. Usually, the land area affected is so small and the term of the temporary easement so short that such a discounting process would be rather pedantic. Only when the rent loss is substantial and/or the temporary easement is of extended duration does the appraiser need to discount the rent loss, or return on investment, to a present value."³¹

However, if an appraiser elects not to discount the rent loss, it should be noted in the appraisal report that, from a technical standpoint, discounting is required, but in the present instance (because of the minimal amount of rent involved and/or the short duration of the temporary taking) the discount would be insignificant.

If market rent cannot be reasonably estimated by use of market data, another acceptable method of estimating the value of the affected area is to convert its present unencumbered value into the present value of a reversion at the end of the easement term by applying an appropriate discount rate to its unencumbered value. This will result in an indication of the market value of the property, as encumbered.

If the existence of a temporary easement will restrict the property owner from utilizing the unencumbered portion of the land for its highest and best use during the easement's term, that factor must also be considered by the appraiser. Applying the rent loss, or discount factor, to all lands so affected is often an appropriate means of estimating the proper adjustment to reflect the diminution in the land's value by reason of the temporary easement.

C-12. LEASEHOLD TAKINGS: The government will sometimes acquire only a leasehold estate in all or a portion of a property. That is, the government will acquire the right of use and occupancy of the property for an identified period of time. Typically compensation is equal to the present value of the market, or economic, rent of the premises to be occupied by the government for the term of the occupancy.³²

It is important for the appraiser to recognize the characteristics of the rental, or income, streams being evaluated. Most often rent is paid periodically (e.g. monthly) in advance. However, when the government acquires a leasehold interest, or right of use and occupancy, in a property it will pay all of the rent due for the entire term of its occupancy in a lump sum at the beginning of the occupancy (or on the date of taking) in the form of just compensation. Therefore, an appraiser must convert any estimate of periodic market rent into a single lump sum present value, or payment, to be paid in advance.

This is typically accomplished by applying an ordinary annuity factor (present worth of 1 per period factor)

³⁰ Ibid., p. 195.

³¹ Ibid., p. 196.

³² See A-19, supra, pp. 52-54.

to the periodic market rent, if the estimated market rent is projected to remain constant over the government's occupancy. If the appraiser concludes that the market rent will not be constant throughout the government's occupancy, the periodic rent is typically converted into a lump sum present worth by the use of "present worth of 1" factors, or by "discounted cash flow analysis."

The discount rate to be applied to the periodic rent should be reflective of the rates of return typical for the type of property involved. The selected discount rate should be justified by the appraiser and supported by market data whenever possible.

As previously noted,³³ there are occasions when the government acquires the leasehold interest in only a portion of a larger property. In those instances, the appraiser must consider the possibility of damages to the remainder property (i.e. that portion not to be occupied by the government). In those instances where severance damages may be significant, appraisers should consult with their client agency and/or its legal counsel before proceeding with the appraisal assignment to ensure that the appraisal will be prepared in accordance with current applicable law.

C-13. PROJECT APPRAISAL REPORTS: Some government projects require the acquisition of a large number of parcels of real property and individual appraisers are assigned to appraise a number of these parcels at the same time. On occasion, it is logical that the appraisal of more than one parcel be included in a single report. Under certain circumstances, such project or multiple parcel appraisal reports may be appropriate.

Project appraisal reports are not appraisal shortcuts; they are clerical shortcuts. Assuming that the criteria set forth herein is met, project appraisal reports may be acceptable for the purpose of negotiated purchase, and they may be accepted by the Department of Justice for initial review purposes.

In preparation of trial, appraisal reports are often exchanged between the parties or become subject to discovery. They are also, at times, used as exhibits during trial. Project appraisals are not conducive to these purposes. To introduce a project report as a court exhibit is to introduce a myriad of collateral issues and the use of project reports by trial attorneys is cumbersome. Also, the disclosure of an entire project report often discloses the estimated values of properties which are owned by persons not parties to the lawsuit, a disclosure which the government may not be prepared to make. For these reasons, agencies and appraisers should recognize that project appraisal reports may be unacceptable to the Dept. of Justice for trial purposes.

Therefore, when appraisals are updated for trial purposes, appraisers should be prepared to develop a totally self-contained narrative appraisal report, in accordance with section B- 1 of these standards, for the individual parcel being updated.

Project appraisal reports are appropriate when (1) all of the parcels appraised are total takings, or partial

³³ Ibid.

takings of a nominal and/or consistent nature; (2) all parcels are vacant or have similar improvements; (3) all parcels are located within a relatively homogeneous geographical area; (4) all parcels have the same, or a similar, highest and best use; (5) the most relevant method of valuation is the same for all parcels, and; (6) the same array of market data will be relied on in the valuation of each parcel.

The project appraisal report should consist of three major parts: (1) introduction, factual data and analysis relating to all properties included in the report; (2) individual parcel appraisal reports, and; (3) addenda and exhibits relating to all properties included in the report.

PART I - INTRODUCTION, GENERAL FACTUAL DATA AND ANALYSIS

1. TITLE PAGE. This should include the government project title, the number of individual parcels included in the report, the name and address of the individual(s) making the report, and the date on which the appraisals were prepared.

2. LETTER OF TRANSMITTAL. This should include the date of the letter, identification of the government project, the number of parcels included in the appraisal report, statement of the range of effective dates of the appraisals, identification of any extraordinary assumptions, limiting conditions, or legal instructions relating to all parcels included in the report and the appraiser's signature.

3. TABLE OF CONTENTS. The major parts of the appraisal report and their subheadings should be listed. The location of each individual parcel report should be specifically identified.

4. SUMMARY OF FINDINGS. The appraiser should report the value findings for each parcel appraised. These findings should include the agency assigned parcel number, the owner of the property, the effective date of the value estimate(s) and the value conclusion(s). In the case of partial acquisitions, the before value, after value and difference should be shown.

If the project appraisal encompasses a large number of parcels, it is desirable to include a second summary listed alphabetically, by owners name.

5. STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS.³⁴ All assumptions and limiting conditions that universally apply to the appraisal of all parcels in the project appraisal report shall be listed. Assumptions and limiting conditions that are not applicable to all parcels included in the project appraisal should not be included in this section, but rather should be noted in the individual parcel reports.

6. SCOPE OF THE APPRAISAL.³⁵

7. PURPOSE OF THE APPRAISAL.³⁶

³⁴ For content requirements, see B-1, 7, *supra*, pp. 66-67.

³⁵ *Ibid.*, B-1, 8, p. 67.

8. SUMMARY OF APPRAISAL PROBLEMS.³⁷ The appraiser should describe the principal appraisal problems presented in estimating the market value of all parcels included in the report. Emphasis should be placed on general appraisal problems common to all parcels, leaving the appraisal problems specific to individual parcels for discussion in the individual parcel reports.

If mineral and/or timber values are involved in a number of the parcels included in the project report, the treatment of those values is to be discussed. If a project, or multiple parcel, mineral and/or timber appraisal has been relied on by the appraiser, it shall be included in the addenda of the project report. If individual parcel mineral/timber appraisals were prepared, they shall be included in the addenda of the individual parcel reports.

9. AREA, CITY AND NEIGHBORHOOD DATA.³⁸ In the case of partial acquisitions, this discussion should be broken down into two subsections; before the takings and after the takings.

10. ZONING AND OTHER LAND USE REGULATIONS. Include a general discussion of the zoning and other land use regulations that affect all parcels in the report. General trends in land use regulations in the area and recent zoning activity should be discussed.

In the case of partial acquisitions, this discussion should be broken down into two subsections; before the takings and after the takings.

³⁶ Ibid., B-1, 9, pp. 67-68.

³⁷ For general content requirements, see B-1, 10, supra, pp. 68-69.

³⁸ For content requirements, see B-1, 12, supra, p. 69; B-1, 21, supra, p. 78.

11. ANALYSIS OF HIGHEST AND BEST USE.³⁹ Inasmuch as all parcels in the report will have the same, or similar, highest and best use, the appraiser should discuss and develop the highest and best use of the parcels in this section. If, after in depth analysis, an appraiser determines that the highest and best use of a parcel is not the same as, or similar to, the other parcels to be included in the report, the unique parcel should be excluded from the project report and a separate narrative appraisal report should be prepared for the unique parcel.

In the case of partial acquisitions, this discussion should be broken down into two subsections; before the takings and after the takings.

12. DISCUSSION OF APPROACHES TO VALUE. The appraiser should discuss the standard approaches to value and their applicability, or non-applicability, to the parcels under appraisal in the project report. If any modification to the typical application of the approaches to value is required, such modification should be discussed.

In the case of partial acquisitions, this discussion should be broken down into two subsections; before the takings and after the takings.

13. LAND VALUATION. The appraiser should identify, describe and discuss all comparable land sales that will be utilized in the individual parcel reports. A discussion of how the comparable sales will be utilized in the individual reports can be included in this section of the report. Reference should be made to comparable sales data sheets, photos and a comparable sales map, which shall be included in the addenda of the report.

Universal adjustments to the comparables should be discussed and developed in this section of the report. Adjustments classified as universal would include such adjustments as time, or date of sale, adjustments and cash equivalency adjustments; those adjustments that are not subject property dependent. Also, the general results of any study relating to land value (e.g., a size adjustment study) developed under item 17 (special studies) should be discussed.

If a parcel requires land valuation by means other than comparable sales, that parcel, as a general rule, is not appropriate for inclusion in a project report.

In the case of partial acquisitions, this discussion should be broken down into two subsections; before the takings and after the takings.

14. COST APPROACH. The appraiser should describe the methodology used in developing reproduction, or replacement cost estimates and depreciation estimates. If a national cost service was

³⁹ For general discussion of content requirements, see B-1, 14, supra, pp. 71-74; B-1, 23, supra, p. 80.

utilized in estimating reproduction, or replacement, costs, that publication should be specifically identified. If entrepreneur's profit has been included in reproduction, or replacement, cost, its derivation should be explained.

If depreciation studies using the abstraction or sales comparison method⁴⁰ have been developed, their content and development should be discussed and the general conclusions reached should be reported.

In the case of partial acquisitions, this discussion should be broken down into two subsections; before the takings and after the takings.

15. SALES COMPARISON (MARKET) APPROACH. The appraiser should identify, describe and discuss all comparable improved property sales that will be utilized in the individual parcels reports. A discussion of how the comparable sales will be utilized in the individual reports can be included in this section of the report. Reference should be made to comparable sales data sheets, photos and a comparable sales map, which shall be included in the addenda of the report.

Universal adjustments to the comparables should be discussed and developed in this section of the report. Adjustments classified as universal would include such adjustments as time, or date of sale, adjustments and cash equivalency adjustments; those adjustments that are not subject property dependent.

In the case of partial acquisitions, this discussion should be broken down into two subsections; before the takings and after the takings.

16. INCOME CAPITALIZATION APPROACH. The appraiser should identify, describe and discuss all comparable rental properties that will be utilized in the individual parcels reports. A discussion of how the comparable rentals will be utilized in the individual reports can be included in this section of the report. Reference should be made to comparable rental data sheets, photos and a comparable rentals map, which shall be included in the addenda of the report.

Because of the high degree of similarity between all of the individual parcels included in the project report, capitalization rates applicable to each should be the same, or fit into a relatively narrow bracket. Therefore, the development of applicable capitalization rates should be presented in this section of the report.

In the case of partial acquisitions, this discussion should be broken down into two subsections; before the takings and after the takings.

⁴⁰ For discussion of this method of estimating depreciation, see, The Appraisal of Real Estate, pp. 381-400.

17. SPECIAL STUDIES. This section of the report should be used to present any special studies that are appropriate and apply to all, or most, of the individual parcels included in the project appraisal report. Such studies might include (in addition to the capitalization rate, time, or date of sale, entrepreneurial profit, depreciation, and cash equivalency studies previously mentioned) easement studies,⁴¹ size adjustment studies, proximity studies,⁴² landlock studies, and special benefit studies.

These studies may relate to the before situation, the after situation, or both.

PART II - INDIVIDUAL PARCEL REPORTS

Each individual parcel report should contain the following information. In the case of partial acquisitions, items 26 through 34 should be repeated in the after situation.⁴³

18. TITLE PAGE.⁴⁴

19. TABLE OF CONTENTS.⁴⁵

20. APPRAISER'S CERTIFICATION.⁴⁶

21. SUMMARY OF SALIENT FACTS AND CONCLUSIONS.⁴⁷

22. PHOTOGRAPHS OF SUBJECT PROPERTY.⁴⁸

23. STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS. The appraiser should state that the assumptions and limiting conditions stated in item 5 of Part I of the project report are applicable to this parcel. If any additions, modifications or deletions to the general assumptions and limiting conditions are necessary, they shall be noted.

⁴¹ The impact of easements on encumbered areas and abutting unencumbered areas.

⁴² The impact on remainder property values by reason of their proximity to various public projects.

⁴³ For general discussion of after situation item content requirements, see B-1, Parts IV, V, and VI, supra, pp. 78-81.

⁴⁴ For content requirements, see B-1, 1, supra, p. 64.

⁴⁵ Ibid., B-1, 3, supra, p. 64.

⁴⁶ Ibid., B-1, 4, supra, pp. 65-66.

⁴⁷ Ibid., B-1, 5, supra, p. 66.

⁴⁸ Ibid., B-1, 6, supra, p. 66.

24. SCOPE OF THE APPRAISAL. The appraiser should state that the scope of the appraisal stated in item 6 of Part I of the project report is applicable to this parcel. If any additions, modifications or deletions to the general discussion are necessary, they shall be noted.

25. SUMMARY OF APPRAISAL PROBLEM. The appraiser should discuss any specific appraisal problem unique to the individual parcel under appraisal and briefly describe its treatment.

26. LEGAL DESCRIPTION.⁴⁹

27. AREA, CITY AND NEIGHBORHOOD DATA. The appraiser should reference the area, city and neighborhood data in item 9 of Part I of the project report, discuss the parcel's location within the neighborhood and note any specific neighborhood factors uniquely affecting the subject parcel.

28. PROPERTY DATA:

a. Site.⁵⁰

b. Improvements.⁵¹

c. Equipment.⁵²

d. Use History.⁵³

e. Sales History.⁵⁴

⁴⁹ Ibid., B-1, 11, supra, p. 69; B-1, 20, supra, p. 78; B-2, supra, pp. 83-84.

⁵⁰ B-1, 13a, supra, pp. 69-70; B-1, 22a, supra, pp. 78-79.

⁵¹ Ibid., B-1, 13b, supra, p. 70; B-1, 22b, supra, p. 79.

⁵² Ibid., B-1, 13c, supra, pp. 70-71; B-1, 22c, supra, p. 79.

⁵³ Ibid., B-1, 13d, supra, p. 71; B-1, 22d, supra, p. 79.

⁵⁴ Ibid., B-1, 13e, supra, p. 71; B-1, 22d, supra, p. 79.

f. Rental History.⁵⁵

g. Assessed value and annual tax load.⁵⁶

h. Zoning and other land use regulations. The appraiser should reference the discussion of zoning and other land use regulations in item 10 of Part I. If additions, modifications or deletions from that general discussion are required as they relate to the specific parcel, they should be noted.

29. ANALYSIS OF HIGHEST AND BEST USE. The appraiser should reference the discussion of highest and best use in item 11 of Part I and relate that discussion specifically to the parcel under appraisal. The appraiser shall specifically state the highest and best use of the property, both in the before and after situations if a partial taking, and thoroughly explain the reasoning which led to the conclusion.

30. LAND VALUATION.⁵⁷ The appraiser should reference the data and discussion of land sales in item 13 of Part I and shall specifically identify which of those sales are most comparable to the parcel under appraisal and have been relied upon in estimating the parcel value. A comparative analysis between each of the selected comparable sales and the subject property shall be included.

If adjustments are based on universal adjustments and/or studies discussed and developed in Part I of the appraisal, the discussion or study should be specifically referenced and related to the subject property.

31. VALUE ESTIMATE BY COST APPROACH.⁵⁸ The appraiser should reference the general discussion of the cost approach in item 14 of Part I. If computations or estimates are based on studies discussed and developed in Part I of the appraisal, the studies should be specifically referenced and related to the subject parcel.

⁵⁵ Ibid., B-1, 13f, supra, p. 71; B-1, 22d, supra, p. 79.

⁵⁶ Ibid., B-1, 13g, supra, p. 71; B-1, 22e, supra, p. 79.

⁵⁷ Ibid., B-1, 15, supra, p. 74; B-1, 24, supra, p. 80.

⁵⁸ Ibid., B-1, 16, supra, p. 75.

32. VALUE ESTIMATE BY THE SALES COMPARISON (MARKET) APPROACH.⁵⁹ The appraiser should reference the data and discussion of whole property sales in item 15 of Part I and shall specifically identify which of those sales are most comparable to the parcel under appraisal and have been relied upon in estimating the parcel's value. A comparative analysis between each of the selected comparable sales and the subject property shall be included.

If adjustments are based on universal adjustments and/or studies discussed and developed in Part I of the appraisal, the discussion or study should be specifically referenced and related to the subject property.

33. VALUE ESTIMATE BY INCOME CAPITALIZATION APPROACH.⁶⁰ The appraiser should reference the data and discussion of whole property rentals in item 16 of Part I and shall specifically identify which of those rentals are most comparable to the parcel under appraisal and have been relied upon in estimating the parcel's economic, or market, rent. A comparative analysis between each of the selected comparable rentals and the subject property shall be included.

If the capitalization rate selected for the subject property is based on studies discussed and developed in Part I of the appraisal, the study should be specifically referenced and related to the subject property.

34. CORRELATION AND FINAL VALUE ESTIMATE.⁶¹

35. ACQUISITION ANALYSIS. In the case of a partial acquisition, the appraisal shall include an analysis of the government's acquisition in accordance with the requirements of Part VI of these standards.

36. EXHIBITS AND ADDENDA.

a. NEIGHBORHOOD MAP.⁶²

b. COMPARABLE DATA MAPS. If the comparable data maps included in Part III of the project report are not clear enough to insure complete understanding of the relationship between the subject property and the comparable data relied on in the individual parcel report, comparable data maps should be included in the addenda of the individual parcel reports.⁶³

c. DETAIL OF COMPARATIVE DATA. Detailed comparable data sheets must be included in Part

⁵⁹ Ibid., B-1, 17, supra, pp. 75-78.

⁶⁰ Ibid., B-1, 18, supra, p. 77.

⁶¹ Ibid., B-1, 19, supra, p. 78; B-1, 28, supra, p. 81.

⁶² Ibid., B-1, 32, supra, p. 82.

⁶³ Ibid., B-1, 33, supra, p. 82.

III of the project report. Those comparable data sheets relating to the specific comparables relied on in estimating the value of the individual parcel may also be included here for ease of reference.

d. PLOT PLAN.⁶⁴

e. FLOOR PLAN.⁶⁵

f. TITLE EVIDENCE REPORT.⁶⁶

g. OTHER PERTINENT EXHIBITS.⁶⁷

PART III - GENERAL EXHIBITS AND ADDENDA

Exhibits and addenda items should relate to all, or most of the parcels included in the project appraisal report. Exhibits and addenda items relating only to one, or a small portions of the parcels appraised, should be included in the addenda of the individual parcel reports.

37. LOCATION MAP. (Within the city or area). All maps should include a north arrow and the identification of the subject parcels.

38. COMPARABLE DATA MAPS. These maps might include, among others, a comparable land sales map, a comparable improved sales map and a rental comparables map. The maps should include a north arrow and show the location of the comparables and the location of the parcels appraised. If this requires the use of a map that is not of a readable scale, secondary maps, showing the specific location of each comparable relied on in making the individual parcel appraisals should be included in the addenda of the individual parcel reports.

39. DETAIL OF COMPARATIVE DATA.⁶⁸

40. OTHER PERTINENT EXHIBITS. These would include, for example, any written instructions given the appraiser by the agency or its legal counsel relating to all parcels in the project report, environmental studies relating to all parcels, fixture, timber and/or mineral appraisals relating to multiple parcels, and any charts or illustrations that may have been referenced in the body of the report and relate to all, or most, of the parcels in the project report.

⁶⁴ Ibid., B-1, 35, supra, p. 82.

⁶⁵ Ibid., B-1, 36, supra, p. 82.

⁶⁶ Ibid., B-1, 37, supra, p. 83.

⁶⁷ Ibid., B-1, 38, supra, p. 83.

⁶⁸ For content requirements of comparable data sheets, see B-1, 17, supra, pp. 75-77.

41. QUALIFICATIONS OF APPRAISER.⁶⁹

⁶⁹ For content requirements, see B-1, 39, supra, p. 83.