

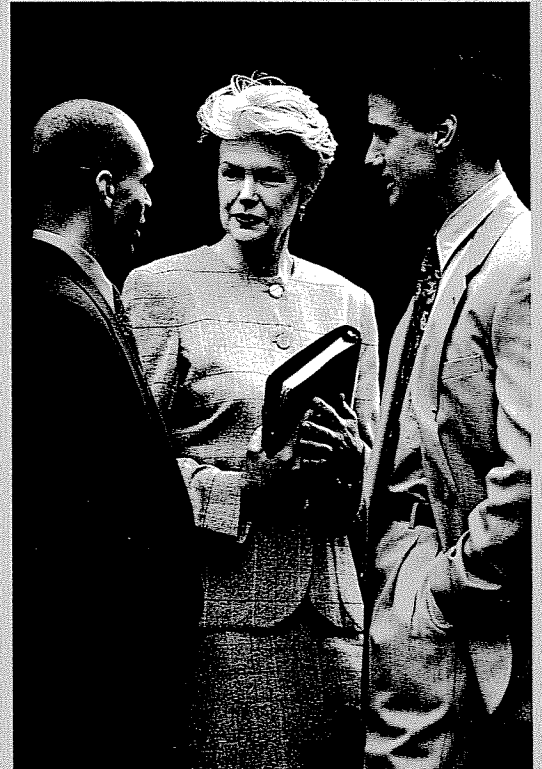
# Communicating With the Public

By David R. Lewis, SR/WA, ASA

The body of knowledge required for us to perform our right of way activities is extensive and diverse. As with other professions, we function under a set of principles and practices that have evolved over time. It can be said that our common frame of reference, education and experience are what bonds us together as professionals. These principles and practices are reflected in our nomenclature that we use to communicate with each other. A technical word used in a conversation with our peers conjures a history of knowledge and understanding. While communication is enhanced with a common nomenclature, there are negative consequences. This is because the technical language that we are so familiar with becomes such a part of our language that we may forget that the general public is not familiar with our nomenclature. Thus, it presents unique challenges when we step out of our peer group and work with the public in general. Since right of way professionals are typically in frequent contact with the public, the challenge is to develop those tools that improve our communication skills with the public/nonprofessionals.

Taught by the International Right of Way Association (IRWA), one of the basic negotiation tools to improve communication is to develop the ability to exchange information between the participating parties. This negotiating approach says that we are both receivers and givers of information. In part, this is because it is recognized that one of the obstacles to effective communication is that it is human nature to seek out answers in familiar settings. Therefore, it is only human to look for a common frame of reference, a place to make a decision and feel good about the conclusion. We must seek out those common references through the exchange of information.

An acquisition agent's job is to assist the owners with that common frame of reference and help them feel good about accepting the offer. Informing and educating the receiver of the information is critical for a successful outcome. As we interact with the general public, we must keep in mind that the typical owner is not familiar with valuation principles and practices. To aid in the disclosure of information in acquisitions, appraisal summaries are used. These appraisal summaries should include units of comparison such as per square-foot values, cost per shrub, and other items to be valued. Information on the comparable sales data should



also be included. However, explaining valuation principles and practices in relation to an appraisal is a task that often requires more than the appraisal summary.

In negotiations, experience tells us that property owners frequently seek out their neighbors to compare what they are being offered by the acquiring agency. They do this in search of that common frame of reference to make comparisons. Neighbors who historically exchange few words often will compare what they are offered. One of the frequently asked questions is "How much money is my neighbor getting?" Obviously right of way professionals cannot discuss the details about ongoing negotiations with others regardless if they are neighbors. Even when the owner does not compare notes with their neighbors, they are looking for information to compare with their property.

Recently, I received a call from a disgruntled property owner complaining that he did not receive fair treatment by the acquisition agent assigned to acquire his property. He indicated that his neighbor received a higher unit price than he; he felt his property was impacted more than his neighbor's property. Both acquisitions were closed and a matter of public record, therefore, it was possible to discuss specific details

about what his neighbor received. Comparisons between the two properties, and a discussion of appraisal principles and practices were used to adequately inform the disgruntled owner.

A number of useful tools can be used to communicate the application of appraisal principles and practices. In the case with the disgruntled property owner, Figure 1 explains the differences.

FIGURE 1

PROPERTY	SUBJECT	NEIGHBOR
Zoning	Limited Commercial	Limited Commercial
Existing Use	Commercial (Auto Repair)	Residential
Highest & Best Use	Commercial	Residential
Site Value	\$148,000	\$115,000
Parcel Size	33,000 sq. ft.	16,800 sq. ft.
Unit Value	\$4.48/ sq. ft.	\$6.85/ sq. ft.
Acquisition Area	1,035 sq. ft.	1,223 sq. ft.
Percent of Total Property Acquired	3.1%	7.3%

Charts and graphs comparing the significant attributes are excellent tools that can be easily understood by the property owners. Figure 1 shows that even though the properties are adjacent to each other there are some considerable differences. In addition, while both parcels have the same zoning, the existing uses are significantly dissimilar and the highest and best uses are different. Please note that the neighbor's property had a larger percent of the total property acquired.

Using the above example, the following valuation principles were used to assist in the exchange of information:

**Supply and Demand.** Market value is determined by the interaction between buyers and sellers. The availability of the product and the purchasers create *market forces*, which must be described and analyzed in terms of their influence on the subject property. In the above case the uses are significantly different. Therefore, there are different market demand and supply factors to be considered. This alone would be justification for different land values.

**Contribution.** Real estate consists of the land and the improvements attached to the land. The contributory worth of the improvements depends upon their utility and relation to the whole. Contribution of an agent of production can be analyzed on how much its absence detracts from the value of the whole. In the above case the neighbor's property, even though commercially zoned, is improved with a single-family residence. As long as the residence contributes value to the land it can be considered the highest and best interim use. The general rule for interim uses is that as long as the value of the residence and the site, assuming a residential site, exceeds the value of a vacant commercial site less demolition cost, there is sufficient contribution to keep the existing use.

**Diminishing Returns.** It is a basic economic principle that maximum productivity is achieved when all factors of production are in balance. However, there is a point of diminishing returns. At this point adding to the factors of production results in a less than proportional increase in value. Land is typically valued as a site. However, for partial acquisition purposes a unit value must be developed. After the point of maximum productivity is reached, site value may increase but at a decreasing rate. This produces a lower per unit rate such as value per square foot. Despite the

different uses, site value increases at a decreasing rate. Figure 1 also demonstrates that the smaller parcel is impacted to a greater degree since a higher percentage of the smaller parcel is acquired.

**Anticipation.** It is said that the value of something is the present worth of an anticipated benefit. Essentially, the expectations of owners and buyers can have a direct effect on the market. This can be seen in the increase of prices for land in a given area when access improvements and/or public services are proposed. In comparing the two properties, the neighbor may anticipate that the residential use may ultimately change and a commercial use may be developed.

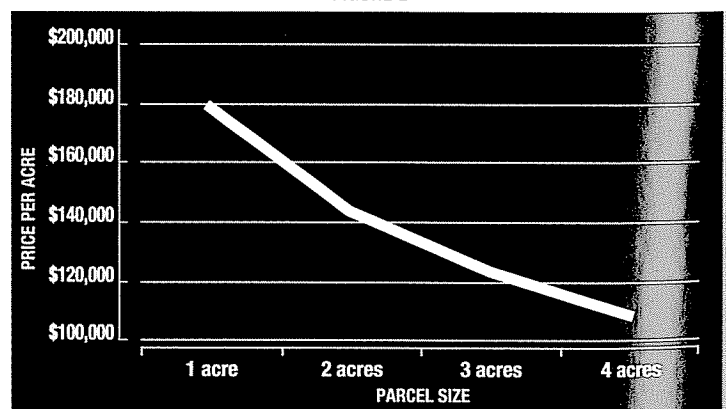
**Change.** One of the basic adjustment factors used in appraisals to develop an opinion of market value is what has often been called the *time adjustment*. Actually, it is more accurately described as the change in market conditions over time. As the market changes the forces of supply and demand change. Therefore, the date of an appraisal is essential to set the market value. Historical sales data as well as the historic market conditions will be necessary to conclude a successful negotiation. When conditions sufficiently change, the neighbor's property may go through transition from residential to commercial.

Another problem is making sense of the market data used to develop an opinion of value. If the maze of data becomes overwhelming for professionals, think what it can be for the general public. Information presented in tabular form may not get the message across and can be counter productive if it adds to the confusion.

I apply simple rules when I review appraisals. One rule is that if the report does not read well there must be something wrong with the value conclusion. Another rule is that if I cannot get the message or concept across to the property owner/public within 60 seconds, I am experiencing a communication problem. To avoid the communication problem and to expedite the exchange of information process, I recommend the use of appropriate graphs and diagrams that read well. When developing communication materials, ask yourself what kind of impression your attempting to make.

Most property owners focus on the unit of value of the offer. They may not fully realize that property is sold as a site. The unit values of various sites may differ based upon the size of the properties. Figure 2 shows the relationship between price per square-foot compared to the size of the parcel. The owner of a larger lot can easily see why the unit value is less than his neighbor's smaller parcel.

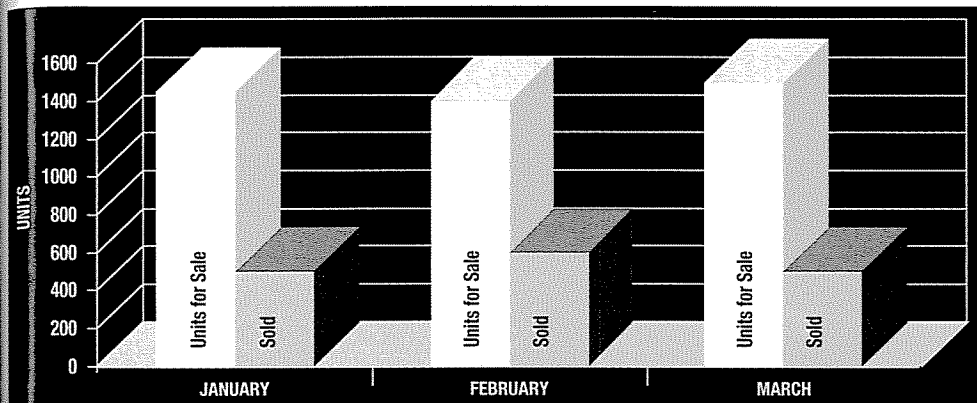
FIGURE 2



To illustrate how the market is changing, Figure 3 shows the number of houses that are available compared to how many sold. This can be an effective tool to show the relationship between the supply and demand of certain properties.

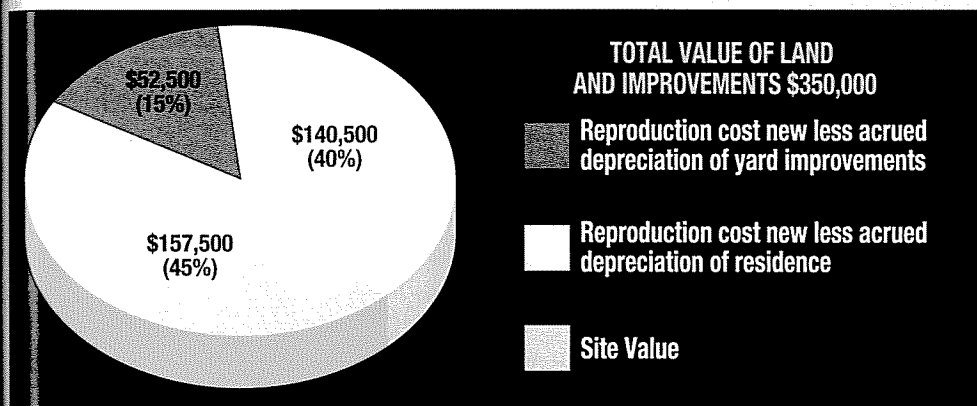


FIGURE 3



Pie graphs can be used to illustrate proportional contribution of the parts of a whole. This type of graph is limited to one series of values such as percentage distribution of a total quantity. For example, you can show the contributory value of all the parts. Figure 4 shows how the value of a property can be divided into various parts.

FIGURE 4



Rather than charts and graphs, other tools can also be used to make an object lesson. For example, two different sized packets of candy can be used to show why a smaller parcel sells for a higher unit value than larger parcels. I like to call it the "great M&M's theory" of diminishing returns. You can take an individual size bag of M&M's and compare to a larger bag. Show the unit price based on the number of candies in the individual bags or by the weight. The cost per unit of candy is higher than the larger bag. This can work well with a group of people such as a jury. If the judge would allow it you could pass the M&M's to the jury and make an emotional connection.

Contributory value of different parts of a property is a frequent issue confronting agencies involved in partial acquisitions. The M&M's can be a substitute for a pie chart. For example, you can have each M&M represent a unit of value. If the total value is \$200,000 place 200 M&M's on a tray, each candy representing \$1,000. If the value of the yard improvements is an issue, the value of the land, residence, and other items can be segregated. The land value could be one pile. The building could be another pile, and so forth. The remaining pieces could reflect the value of all the landscaping. This forces a decision on how to distribute the remaining M&M's between all of the landscaping. All the parts that contribute to value are accounted for in this example.

There are any number of object lessons and techniques that can be used in pursuit of the exchange of information. The goal is to keep the exchange of information as direct and as relevant as possible with the receiver.



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