Course 403
Easement Valuation

International Version

PARTICIPANT MANUAL

Developed by James H. Finnegan, SR/WA

403PM.R7.2025.08.14.0.0

International Right of Way Association
19210 South Vermont Avenue, Building A, Suite 100
Gardena, California 90248
Tel: (310) 538-0233 - Fax: (310) 538-1471
Web-site www.irwaonline.org

Table of Contents

SECTION 1

SECTION 2

APPENDIX A

APPENDIX B

SECTION 1

Course Overview

1

Purpose

Course 403 introduces the terminology and basic concepts and practical applications to easement valuation.

Targeted Audience

While there are no prerequisites, the course will be a better learning experience if you have an understanding of the valuation process.

Objectives

At the conclusion of the day, you will be able to:

Express an understanding of basic real estate concepts and terms, as they relate to the valuation of easements.

Solve problems that apply the terminology and concepts to specific easement valuation scenarios.

Training Outline & Schedule

1

Introductions, Etc.

Welcome
Introductions
Objectives
Housekeeping
Parking Lot
Schedule

Property Rights and Other Terms

Real Property
Other Terms
Easement Creation
Still More Terms

Basic Valuation Concepts and Definitions

Larger Parcel
Federal Rule
State Rule
Just Compensation

Easement Valuation

General
Why Appraise Easements?
Unit Rule
Allocation
Before Value
Value of the Part Taken
Remainders (The "3Rs")
Damages to the Remainder Property
Benefits to the Remainder Property

Analysis of Easements - Rights of the Parties and Valuation Considerations

Easement Document
Statutes and Case Law
Custom and Usage
Marker Perceptions
Easement Owner (Dominant Estate)
Property Owner (Servient Estate)
Impacts

Training Outline & Schedule

1

Easement Categories
Easement Categories

Appraising Temporary and Other Easements
Temporary Easement
Other Easement Type

Summary and Review
Review Objectives
Evaluations

Exam

As with all IRWA courses, you are encouraged to participate in the discussions. While a great deal of material will be covered, the time together will be far, far more successful if everyone is engaged in the activities.

Introductions, Etc.

1

Welcome

Welcome to the IRWA's Course 403, Easement Valuation.

This appraisal course will lead to an understanding of how easements affect property rights and how to value the loss of those rights.

Introductions

Introduce yourself to the group.

- ❏ Who you are…
- ❏ Who you are…
- ❏ What you do…
- ❏ Where you do it…
- ❏ How long you've been doing it…
- ❏ Your goals for the day

Objectives

At the conclusion of the day, you will be able to:

Express an understanding of basic real estate concepts and terms, as they relate to the valuation of easements.

Solve problems that apply the terminology and concepts to specific easement valuation scenarios.

Housekeeping

Schedule

Please refer to Pages 2 and 3.

Property Rights and Other Terms

1

Real Property

Real property is all the rights, interests and benefits inherent in the ownership of the real estate. The total rights are often referred to as the "bundle of rights" or as a "bundle of sticks"

When the entire bundle of rights is owned, the ownership is said to be the fee simple. A fee simple is an estate without limitations with the exception of governments' powers. The governments' powers are eminent domain, taxation, police power and escheat. In addition, there may be private restrictions (e.g. easements and covenants).

"Under the old common law doctrine (Heaven to Hell concept) … a landowner not only owns the surface of (the) land, but also owns all that lies beneath the surface even to the bowels of the earth and all the air space above it even unto the periphery of the sky" (Causby v. United States).

The above view of real estate ownership is broader than generally accepted today. Today, in real estate law, the element of control is an important factor in determining ownership. The degree to which ownership extends is regulated or governed by the extent to which a property owner maintains control over a parcel. *(Principles of Right of Way)*

Other Terms

Easement

An easement is a non-possessory interest one has in the property of another for a specific purpose. *(Principles of Right of Way)*

.

Easement: Dominant and Servient Estates

In many easements, two estates are created; the dominant estate and the servient estates

.

Dominant Estate

The property benefited by the easement.

Property Rights and Other Terms

Servient Estate

The property burdened by the easement.

Easement: Appurtenant and In Gross

Easements are either appurtenant or in gross.

Easement Appurtenant

An easement for the benefit of another real estate parcel.

This type of easement, once granted, attaches to the land and binds subsequent owners who cannot interfere with the exercise of the easement. This type of easement "runs with the land." An easement appurtenant has both a dominant estate and a servient estate.

Easement In Gross

An easement that benefits a person or company, rather than benefiting another real estate parcel.

An easement in gross may be a personal easement in gross or a commercial easement in gross.

- ❏ A personal easement in gross is similar to a license but it is in favor of a person and that person only. It is not transferable.
- ❏ A commercial easement in gross does not attach to another specific property. May be transferable, divisible and allow for joint use.

There is a servient estate but no dominant estate. Typically public utility easements

.

Easement: Permanent and Temporary

Easements can be either permanent or temporary.

Property Rights and Other Terms

1

Permanent Easement

An easement that lasts forever.

Temporary Easement

An easement that is for a specific time.

Easement Creation

Whether an easement is appurtenant or in gross and whether the easement is permanent or temporary, there are several methods to create them.

Express Grant

The easement is set forth in a written document containing all the elements of a deed. *(Principles of Right of Way)*

Express Reservation or Exception

The easement is created with specific language reserving or excepting a specific easement in a conveyance. For example, "The grantor conveys to the grantee the following land, excepting an easement for ingress and egress described as follows…"

Implication

An easement is created when a property owner severs property into two parcels in such a way that an already existing use of one parcel (as for access) is necessary for the use of the other parcel. The dividing of the property into two parcels implies the need for an easement.

Prescription

The easement is created by occupancy. It must meet the tests of adverse possession (e.g. open, notorious, continuous and hostile over a statutory time period.)

Property Rights and Other Terms

Statute

Easements created by statute require public use, necessity, with the payment of just compensation and following due process of law.

Still More Terms

License

Permission given by a property owner, either expressed or implied, to another allowing for some act on the property. A license does not confer title or interest in the property.

Characteristics of a license:

- ❑ Limited rights
- ❑ Personal
- ❑ Revocable by the licensor
- ❑ Often oral

Lease

A contract whereby the owner transfers the right of possession and use of real estate to another for a specific term and usually on the payment of rent.

Characteristics of a lease.

- ❑ Possession and quiet enjoyment (by the lessee)
- ❑ Specified time
- ❑ Payment of a consideration (rent, usually at specified time intervals)
- ❑ Creates two estates (leased fee and leasehold)
- ❑ Right of recapture (by the lessor)

Right of Way

Usually, a right to pass over another's property. Generally, courts have interpreted the term “right of way” as an easement. Today, the term also refers to the strip of land over which a public road, railroad, public utility, etc. is built.

Basic Valuation Concepts and Definitions

Introduction

In valuing easements, there is a need to remember that only some of the property rights are acquired. Therefore, the property owner still has rights remaining.

What the appraiser is trying to do is estimate the impacts of the easement on the property and then to value the impacts. The extent of the remaining rights is what determines the impact of the easement and, therefore, the value of the easement.

The value of an easement is measured by what the property owner has lost from the bundle of rights NOT by what the condemnor has gained.

All easement appraisals are partial acquisitions. (The property owner always retains rights.)

Larger Parcel and Larger Parcel Tests

Larger Parcel: The first step in the appraisal of a partial acquisition (in this case, an easement) is to determine the larger parcel. The larger parcel is the total property before the taking. *(Principles of Right of Way)*

Larger Parcel Tests: General considerations in determining the larger parcel include:

- ❏ Contiguity
- ❏ Unity of Title
- ❏ Unity of Use

Highest and Best Use

Highest and best use is key to determining the value of the entire property (before), the value of the part taken, damages to the remainder and the value of the property after the imposition of the easement.

Highest and best use is "the reasonably probable and legal use that is physically possible, appropriately supported and financially feasible and that results in the highest value." *(Principles of Right of Way)*

Basic Valuation Concepts and Definitions

There are four highest and best use "tests."

- ❑ Is the use physically possible?
- ❑ Is the use legally permissible?
- ❑ Is the use financially feasible?
- ❑ Is the use maximally productive (result in the highest value)?

Federal Rule/State Rule

There are two "Rules" to valuing all partial acquisitions (including easements); the Federal Rule and the State Rule.

Federal (Before and After) Rule

Under the Federal (before and after) Rule, compensation is the difference between the value before the acquisition and the value after the acquisition. Under the Federal Rule, benefits can offset both the value of the part taken and damages to the remainder.

State (Summation) Rule

Under the State (summation) Rule, compensation is the value of the part taken plus (damages to the remainder property minus benefits to the remainder property). The amount for damages minus the amount for benefits cannot be less than zero dollars.

Just Compensation

The amount paid to the property owner. The theory is that in order to be "just," the property owner should be no richer or no poorer than before the taking.

Easement Valuation

General

Again, the value of an easement is measured by what the property owner has lost from the bundle of rights NOT by what the condemnor has gained.

Basically, there is a property (and a property value) before the imposition of the easement and there is a different property (and a different property value) after the imposition of the easement. A key question after the imposition of the easement is: “What are the effects of the easement on the remaining property?” Therefore, two separate appraisal problems exist which require two different valuation considerations.

Why Appraise Easements?

Three main reasons to value easements are:

- ❏ To develop a value opinion for an acquisition
- ❏ To aid in valuing a property already encumbered by an easement
- ❏ To develop a value opinion of the easement as a separate parcel for disposal

Unit Rule

The Unit Rule requires that the property be valued as a whole rather than by the sum of the values of the parts.

The Uniform Standards of Professional Appraisal Practice (USPAP) states “Although the value of the whole may be equal to the sum of the separate estates or parts, it also may be greater than or less than the sum of such estates or parts. Therefore, the value of the whole must be tested by reference to appropriate data and supported by an appropriate analysis of such data.” *(Uniform Standards of Professional Appraisal Practice)*

1

Easement Valuation

Allocation

A process of separating the value among its components.

For example, market data indicate that the subject single family residential property is worth $250,000 (Unit Rule). It would be appropriate to divide (allocate) that amount among its components, say:

Land and site improvements:	$ 75,000
Improvement:	$ 175,000
TOTAL:	$ 250,000

It would not be appropriate to value the land/site improvements and the improvement separately and then to add them together.

Before Value

Once the larger parcel has been determined (the three unity tests) the before value, the value before the take, can be developed.

Value of the Part Taken

The value of the rights acquired within the easement area.

The value of the part taken is the value of the rights acquired in the easement. How many sticks in the bundle of rights are taken?

Remainders (The "3 Rs")

A significant difference when appraising easements (from fee acquisitions) is that there are three "things" remaining after the imposition of the easement. They are the remnant, residual and remainder.

- ❑ **Remnant:** Typically, a remnant is an isolated, uneconomic area, which lies outside the easement area.
- ❑ **Residual:** The residual is the rights the property owner retains in the easement area after the imposition of the easement. They are the ownership rights not transferred to the easement holder. Also considered in the residual is any reversionary interest the property owner may have if the easement terminates.
- ❑ **Remainder:** The remainder is the area outside the easement area, which is not encumbered by the easement and is not a remnant.

Easement Valuation

Damages to the Remainder Property

Once the specific impacts of the easement acquisition on the property are understood, the appraiser can set about valuing the remainder parcel. In the analysis of damages to the remainder, the appraiser must be able to accurately visualize the property after the easement's imposition.

The damages to the remainder property represent the loss in value to the remainder property as a result of a partial acquisition.

Benefits to the Remainder Property

Benefits to the remainder property represent the increase in value to the remainder property as a result of a partial acquisition.

While benefits, as a result of a partial acquisition, are possible; in practice, they are not that probable.

Cost to Cure

The cost to restore an item of physical deterioration or functional obsolescence to near new or new condition. *(Principles of Right of Way)*

In eminent domain valuation, appraisers "test" the cost to cure against the damages to the remainder property, should the cure not be made. The property owner is entitled to the lesser of the two amounts.

As an example:

As the result of an easement, a commercial property will loss five parking spaces. Based on the loss of (property) rental income, the appraiser estimates that the property will suffer $40,000 in damages to the remainder property. A professional engineer estimates that the five parking spaces can be reestablished for $30,000. If the parking spaces are reestablished, there will be no damages to the remainder property.

The property owner is entitled to the lesser of the two amounts, $30,000.

Analysis of Easements - Rights of the Parties and Valuation Considerations

1

Easement Information Sources

There are several sources to learn about the easement and how it should be valued.

Easement Document

The easement document is the best source of information about the easement and the rights and responsibilities of the parties. The appraiser should always read the proposed easement document to understand the impact of the easement and to aid in the valuation.

Statutes and Case Law

What state/provincial/local statutes and past court decisions have to say about easements and their valuation.

Custom and Usage

Market Perceptions

Market perceptions are the subjective impacts that the market participants "think" will affect value.

Dominant and Servient Easements

Again, in all easements appurtenant, two estates are created; the dominant estate and the servient estate.

Easement Owner (Dominant Estate)

The easement owner (dominant estate) has rights and responsibilities.

Property Owner (Servient Estate)

The property owner of the property encumbered by the easement (servient estate) has rights and responsibilities.

Impacts

Easement Categories

Easement Categories

There are three broad easement categories: sub-surface, surface and overhead.

- ❑ **Sub-surface easement:** The rights to use the underground portion of a property. A sub-surface easement may involve some incidental surface rights.
- ❑ **Surface easement:** The rights to use the surface of the property only. A surface easement may involve some incidental aerial rights.
- ❑ **Overhead easement:** The rights to use the space, at a designated distance, above the property's surface. An overhead easement may involve some incidental surface rights.

Appraising Temporary and Other Easements

1

Temporary Easement

A temporary easements is an easement that is for a specific time period.

General considerations in the valuation of temporary easements.

- ❏ Time period
- ❏ Proposed uses
- ❏ Impacts and restoration

Generally, temporary easements are valued at a percentage of the market value of the fee for each year of the temporary easement's term. The percentage may be based on market derived rates of return (direct capitalization rates or discount rates) or on the basis of previous court decisions or based on agency policies.

Temporary easement value = unit value multiplied by the term (usually years) multiplied by a percentage.

Also, temporary easements can be valued on the basis of comparable market rentals.

Other Easement Types

Other easement types include:

- ❏ Slope easement (an easement for cuts and fills).
- ❏ Conservation easement (an easement that limits future property use that is consistent with conservation or preservation).
- ❏ Scenic easement (an easement for conservation and development of roadside views and natural features).
- ❏ Flowage easement (an easement to flood, sometimes to a specific elevation and/or sometimes to specific times of the year).

Summary and Review

You should now be able to:

- ❏ Express an understanding of basic real estate concepts and terms, as they relate to the valuation of easements.
- ❏ Solve problems that apply the terminology and concepts to specific easement valuation scenarios

SECTION 2

Exercises

2

EXERCISE 1
Bayview Park Commission

The Bayview Park Commission intends to acquire a 15-acre scenic easement from the Woodchips Lumber Company. Woodchips owns a 400-acre parcel situated adjacent to Overview Drive, a scenic parkway. The 400-acre parcel has been used continuously as a managed timberland stand.

Before the imposition of the easement, the property's highest and best use is timberland. The proposed easement will severely restrict logging and timber management practices in the easement area.

The following current sales data were located.

Sale No. 1:
Sale Price: $260,000
1,000 acres of timberland of which 200 acres are non-commercial timberland because of severe terrain.

Sale No. 2:
Sale Price: $20,000
A 200 acres remote, landlocked tract.

Sale No. 3:
Sale Price: $192,500
A recently cruised 550 acre tract with considerable merchantable timber.

Sale No. 4:
Sale Price: $160,000
A 600-acre timberland parcel.

Sale No. 5:
Sale Price: $93,000
A 360-acre timberland parcel, 60 acres of which were subject to a recent forest fire, which has resulted in severe erosion.

Questions

1. What is the value of the subject property before the imposition of the easement?
2. After the taking, what is the highest and best use of the 15-acre within the easement area?
3. What is the value of the subject property after the imposition of the easement?
4. What is the compensation?

Exercises

2

EXERCISE 2
Great Meadow Ranch

The Great Meadows Ranch property contains 1,500 acres with several economic units consisting of 300 acres: cropland, 250 acres: citrus groves (8 trees per acre), 100 acres: alfalfa, 775 acres: range land and 75 acres: timberland.

A proposed electric transmission line easement will cross the property. The easement is not a typical cross-section of each of the property's economic units

Market Data

Similar 1,500 acre mixed use properties recently sold for between $1,750,000 and $2,000,000. The overall average per acre sale price has been $1,225.

Other sales data indicate typical contributory values for agricultural land economic units as follows:

Cropland:	$1,250/acre
Citrus groves:	$600/tree
Alfalfa:	$350/acre
Range land:	$250/acre
Timberland:	$400/acre

Questions

1. What is the value of the subject property before the imposition of the easement?
2. Allocate the total value among the several economic units.
3. If the answers in 1. and 2. do not agree, what is your explanation?

EXERCISE 3
The Overshoe Regional Airport Authority

As part of an airport expansion, the Overshoe Regional Airport Authority is acquiring aviation easements. The easements will restrict the building height to a maximum of 35 feet.

The current zoning in the project area is Commercial-Office II (C-O-II), which allows the construction of buildings up to and including 8 stories in height. A second district, in close proximity to the project area, is zoned Commercial-Office I (C-O-I). C-O-I allows for the construction of buildings up to and including 3 stories in height.

Harold McCarthy, a local developer, has retained your office to estimate the value impact of the aviation easement on his property. Mr. McCarthy owns an unimproved 5 acre parcel zoned C-O-II. Mr. McCarthy indicates that he has plans to develop a 6-story office building on the site. Your research shows that considerable recent sales activity in the immediate neighborhood confirms that the highest and best use of the McCarthy parcel is for high rise office development. The market indicates that similar parcels sell for $70,000 per acre. Expanded research reveals that areas in proximity to the subject neighborhood that are zoned Commercial-Office I are also developing rapidly. Parcels in this latter area sharing similar size and physical characteristics with the subject property are currently selling for $45,000 per acre.

Questions

1. What is the value of the subject property before the imposition of the easement?

2. What is the value of the part taken, as part of the whole?

Exercises

2

EXERCISE 4
Pattison Road Property

A 415-acre parcel of land (Tillage: 300 acres and Woodland: 115 acres) situated on Pattison Road is subject to a condemnation action. The local power company will acquire a strip of land for a transmission line easement. The easement will encumber 15 acres (Tillage: 10 acres and Woodland: 5 acres).

Market Data

After careful research, the following area market data were collected.

Sale No. 1
Sale Price: $275,500
290 acres tillage.
No easements present.

Sale No. 2
Sale Price: $475,000
515 acres tillage of which 25 acres are encumbered by a transmission line easement

Sale No. 3
Sale Price: $33,750
90 acres woodland.
No easements present.

Sale No. 4
Sale Price: $115,125
315 acres woodland of which 10 acres are encumbered by a transmission line easement.

Note: Assume that tillage and woodland each contribute full market value to the subject property.

Questions

1. What is the before value of the subject property?
2. Allocate the before value between tillage and woodland.
3. What is the after value of the subject property?
4. Allocate the after value between tillage and woodland.
5. What is the compensation?
6. Allocate the compensation between tillage and woodland.
7. What are the per acre residual (tillage and woodland) values?
8. What are the per acre remainder (tillage and woodland) values?

Exercises

2

EXERCISE 5, PART A
Mrs. Brown's Property

Mrs. Brown's property is typical of the neighborhood and is improved with a single-family residence on a 200' x 200' lot.

The local gas company is acquiring a 15 feet wide underground pipeline easement across the front of the property. The easement area is entirely within the required building setback limits. A mature 5' high hedge, which screens the residence from the heavily traveled street, is in the easement area and will be removed to install the pipeline. No other improvements lie within the easement area.

Your market data collection and analysis reveal the following:

The before value is $200,000. (Allocated: Land: $50,000, Improvement: $150,000).

The existing hedge is too old to relocate.

Single family residences on this street similar to the subject property but without hedges, walls or fences sell for $10,000 less than homes with hedges, walls or fences.

Market research indicates that properties with underground pipeline easements located within the building setback area sell for the same as properties without pipeline easements. You assign a nominal value ($500) for the value of the part taken.

Questions

1. What is the value of the part taken?
2. What are the damages to the remainder property?

Exercises

EXERCISE 5, PART B
Mrs. Brown's Property

According to the local gas company, the hedge can be replaced within the easement area as long as it is 10' back from the front property line.

A local landscaper has provided a written estimate of $5,000 to supply, plant and maintain a new hedge for 1 year.

Questions

1. Should the hedge be replaced?
2. If it should be replaced, what will be the compensation to the property owner?

Exercises

EXERCISE 6
Grant of Permanent Easement

PROJECT:

COUNTY:

PARCEL NO:

THIS GRANT OF PERMANENT EASEMENT made this _____ day of _____, 201__, entered into by ____________________, hereinafter referred to as the Grantor and ____________________, hereinafter referred to as the Grantee,

WITNESSETH: The following grant and the following mutual covenants by and between the parties:

1. For the consideration herein expressed and as complete consideration for the grant of permanent easement, the Grantee agrees to pay the Grantor the sum of ____________________ ($__________), lawful money and Grantor hereby grants to the Grantee, the following:

PERMANENT DREDGED MATERIAL PLACEMENT EASEMENT

A permanent easement and right-of-way in, on, overland across Tract No. W-218 as a dredged material placement site, including the right to borrow, remove and/or deposit fill, spoil and waste material thereon and erect and remove structures and dikes on the land and to perform any other work necessary and incident to the placement of dredged material and maintenance of the dredged material placement site, together with the right to trim, cut, fell and remove therefrom all trees, underbrush, obstructions and any other vegetation, structures, or obstacles within the limits of the right of way ;

Exercises

RESERVING; however, to the landowners, their heirs and assigns, all such rights and privileges as may be used without interfering with or abridging the rights and easement hereby acquired; subject, however, to existing easements for public roads and highways, public utilities, railroads and pipelines, which is located over and across the real property hereinafter described as:

Middle Settlement: An island located in the W2 of Lot 5 Sec. 6 and S7 of Lot 2 Sec. 7 T. 27 N., R. 22. W, second principal meridian, Lincoln County, Minnesota, containing 9.3 acres, more or less.

Said rights are required for use in the construction, operation and maintenance of a dredged material placement site on the above-described land as provided for by the Law.

The following mutually agreed upon special conditions are made a binding part of this grant of easement:

The Grantor would retain ownership of the dredged material.

The Grantee will have the temporary right to use an aboveground pipeline to transport dredged material from the river island to the gravel pit.

This grant of easement includes the right of ingress and egress to and from the said land for any and all purposes necessary and incident to the exercise by the Grantee of the rights granted by this conveyance.

The grant of easement also includes the right to enter upon the above-described parcel at any time for the purpose described above.

It is a condition precedent to the payment to the Grantor of the sum named herein that the title to the premises described herein shall be vested in the Grantor, subject only to the interest of the Grantee hereunder and to such other defects, interests, or encumbrances as may be waived in writing by the Grantee.

The terms and conditions hereof shall be binding upon and inure to the benefit of the heirs, executors, administrators, devisees, successors, trustees, or assigns of the parties hereto.

This grant of easement herein contained shall be perpetual so long as said land is required for the aforementioned purposes and shall be subject to existing rights of way of any nature whatsoever of record and in use. The Grantor shall not interfere with nor disturb the facilities constructed upon the permanent easement area without the written approval of the Grantee,

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed this _____day of __________ in the year first above written.

Grantor	Grantee

ACKNOWLEDGEMENT

STATE OF)
COUNTY OF) SS

Be it remembered that on the _____ day of __________, 201__, before me, a Notary Public within and for said County and State, personally appeared

____________________, known to me to be the person(s) who is/are described in and who executed the within and foregoing instrument and acknowledged to me that he/she/they executed the same.

(SEAL) Notary Public

My Commission Expires

Exercises

Questions

1. What are some of the general (boilerplate type) elements of the grant?
2. What specific rights is the property owner losing by the imposition of the easement?
3. How might the loss of the rights in Question 2 affect the value of the remainder property?
4. What rights is the easement owner acquiring?
5. What, if any, are the easement owner's obligations?
6. What specific rights does the property owner retain in the easement?
7. What, if any, are the property owner's obligations?
8. What impacts, if any, does the easement have on the larger parcel? The remainder parcel? The present use? The highest and best use? The future use?

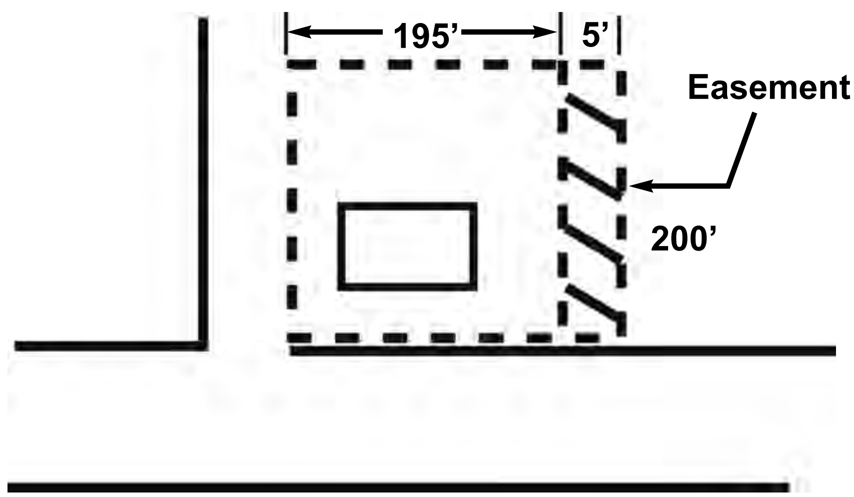
Exercises

EXERCISE 7
The Car Wash

The subject property is improved with a service station located on a 40,000 s.f. lot. The property owner plans to construct a car wash adjacent to the service station.

The local electric company will acquire an overhead power easement, containing 1,000 s.f. (shown as a hatched area on the sketch). The easement language precludes any building construction within its limits.

There are service station sales, with and without car washes, in the same area of the city. Also, there are vacant land sales with very similar attributes to the subject site and with the same highest and best uses.



The following assumptions can be made:

Vacant lots with permitted car wash use sell for $15/s.f.

Vacant lots without car wash use potential sell for $10/s.f.

The service station will not be affected by the acquisition.

Similar easements reduce the fee value within the easement area by 50%.

Exercises

Questions

1. What is the highest and best use of the subject property prior to the imposition of the easement?
2. What is the before value of the subject property land only?
3. What is the highest and best use of the subject property after the imposition of the easement?
4. What is the after value of the subject property land only?
5. What is the difference between the before land value and the after land value?
6. Is this "just" compensation?
7. What is the value of the part taken?
8. Are there damages to the remainder property? Is so, how much?

Exercises

2

EXERCISE 8
Kennedy Acres

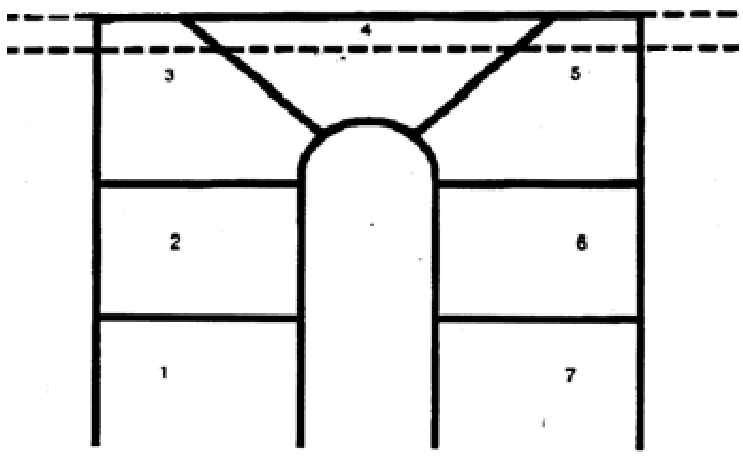
Kennedy Acres, an approved but undeveloped residential subdivision, is subject to a condemnation by the City's Recreation Department. The action arises as a result of an acquisition for a bike path across the northerly section of the 7-acre subdivision (lots average about 1 acre).

The bike bath easement will encumber three building lots.

The following assumptions can be made:

- Zoning is Residential - 1, Single family.
- The highest and best use is the present use.
- No land or site improvements have been made to the subject property.
- Individual residential lots with site improvements sell for $50,000 per site as finished lots.
- Market data establishes that subdivision lots, similar to the subject property sell for $40,000 per approved lot.
- After the easement is acquired, Lots 3 and 5, as encumbered, will meet zoning requirements. Lot 4 will not.
- The cost to survey, plat and record subdivisions is $2,500 per lot. Local ordinance requires that any changes in subdivisions be resurveyed, plotted and recorded.
- No building may be erected in the easement area.
- Local planning does not encourage remnant parcels.
- Market evidence indicates that the underlying fee in the easement area contributes only nominally to value.

Exercises



Questions

1. What is the before value of the subject property?
2. What is the after value of the subject property?
3. What is the compensation?
4. Why should the property owner be “forced” to mitigate a problem the owner had no involvement in causing? Why isn't the acquiring agency required to do it?

Exercises

2

CASE STUDY 9
Inter-Urban Metro System

A city lot (275' x 235') is subject to a subterranean easement acquisition. The Inter-Urban Metro System is acquiring a tunnel easement, 100 feet in width and 50 feet below the street level. It will pass through the center of the lot.

The lot's owners had planned to erect a 40-story office building on the site. Buildings of this type and class have 6 to 8 floors of subterranean development.

Assume the following;

- The highest and best use of the property is for intensive urban commercial development.
- The acquisition will limit the subterranean development to two floors.
- Because of the necessity for additional building support facilities resulting from the easement acquisition and project construction. Increased costs of development are well documented at $3,500,000.

The following sales are considered comparable to the subject property.

SALE NO	SALE PRICE	SITE	REMARKS
1	$15,675,000	240' x 335' (80,400 s.f.)	No restrictions
2	$13,165,000	175' x 425' (74,375 s.f.)	Ledge condition 30' below surface
3	$12,700,000	200' x 310' (62,000 s.f.)	No restrictions
4	$19,000,000	300' x 310' (93,000 s.f.)	No restrictions
5	$10,960,000	225' x 280' (63,000 s.f.)	Subterranean rights owned by an adjacent property

Question

1. Based on the available data, what is the compensation for the acquisition of this subterranean easement?

Exercises

EXERCISE 10
Metropolitan Transit Authority

The Metropolitan Transit Authority is acquiring a 0.6-acre slope permanent easement from the Mammoth Mart shopping complex. The shopping center site contains approximately 5.3 acres and the structure contains approximately 72,150 square feet. The acquisition will result in the loss of 60 parking spaces and the realignment of an additional 220 spaces.

Your market data collection and analysis reveals the following:

Sale No. 1 Regional Shopping Center
85,600 square foot mall
Improvement contributory value: $5,130,000
6.29 acre site
470 parking spaces

Sale No. 2 Regional Shopping Center
66,000 square foot mall
Improvement contributory value: $4,025,000
4.87 acre site
365 parking spaces

Sale No. 3 Inner City Shopping Center
75,000 square foot shopping plaza
Improvement contributory value: $3,750,000
4.92 acre site
345 parking spaces

Sale No. 4: Large Neighborhood Strip Mall
50,000 square foot building
Improvement contributory value: $2,490,000
3.24 acre site
225 parking spaces

Exercises

2

Shopping center land values with site improvements are well supported at $400,000 per acre. Also, your investigation indicates that the cost of restriping parking spaces rier installation and space painting, etc.) is approximately $150 per space. The recommended ratio of parking spaces to improvement size is 2.2 square feet of parking area to each square foot of building area. Due to the very limited residual rights within the easement area, you conclude its contributory value as nominal.

Questions

1. What is the before value of the subject property?
2. What is the after value of the subject property?
3. What is the compensation?

Exercises

EXERCISE 11
John Jones' Cornfield

An electric transmission line will bisect John Jones' cornfield. It will encumber 7.0 acres. Three "H" frame towers will be situated in the acquisition area. The placement of the towers and accompanying guy wires and anchors will severely restrict the utility of the land adjacent to the structures for agricultural purposes.

Assume the following:

- The highest and best use of the property is agricultural.
- Recent sales indicate $950/acre for cropland.
- Individual towers and support facilities utilize 0.3 acres each.
- Market data indicates that similar utility easements reduce the fee simple value of agricultural lands by 50%.
- Low utility acreage, as evidenced by sales, contributes $150 per acre.

Mr. Jones' property grosses $150/acre/year. The costs of production are $65/acre/year. Properties with similar transmission line facilities indicate an increase in production costs of $43.13/acre/year for the entire area encumbered by an easement (including towers). The typical capitalization rate for agricultural land is 9%.

Questions

1. Using the sales comparison approach develop an opinion as to the loss in value for the easement area outside the tower sites.
2. What is the loss in value in the areas encumbered by the tower structures?
3. What is the value of the part taken?
4. What is the value of the residual land encumbered by the easement, including the tower structures?
5. Using the income capitalization approach develop an opinion as to the value of the part taken.

EXERCISE 12
The Department of Transportation

The Department of Transportation is acquiring a 2-acre temporary easement for a detour across the sales lot owned by Big Wheels Auto Sales, Inc. The easement is for two years.

Utilizing the following information, what is your opinion of the value of the temporary detour easement?

- The lot is utilized for the display and storage of used cars.
- The lot is improved with yardlights. The easement will require the removal of the yardlights.
- Prior to the imposition of the temporary easement, the area could accommodate approximately 60 cars.
- Comparable land sales indicate a value of $50,000/acre.
- Parking spaces in the local market rent for $30/month.
- Several ground leases in the immediate neighborhood support a monthly rental of $250/acre.
- Big Wheels indicates that it can rent an adjacent 3-acre lot for $1,500/month.
- There are a number of unimproved and under utilized lots in the immediate neighborhood.
- Yardlights are essential for a used car lot operation.
- The cost for temporary yardlights on a rented lot will be $15,000.
- The salvage value of the temporary yardlights will be $9,500 at the end of the easement period.
- The Department of Transportation will restore the sales lot to its before condition including the reestablishment of the original lighting.

Question

1. Develop an opinion as to the temporary easement rental value.

Exercises

2

EXERCISE 13
The Truck Farm

The Highway Department is acquiring a temporary slope easement from Sunny View Farms. The 65-acre property is operated as a truck farm. The property is improved with a residence and several outbuildings.

The subject property is located on Route 79 in a rapidly developing area. Most of the open land in the surrounding 10-mile area is being developed for residential condominiums or as multi-family housing complexes. There is no local zoning.

Assume the following:

- The easement area is 3.5 acres.
- The easement duration is three years.
- Sales of comparable farmland, within the county, indicate that similar truck farm acreage sells for approximately $2,000/acre.

Four recent sales in the immediate neighborhood indicate sale prices of $6,000/acre, $6,200/acre, $5,700/acre and $6,000/acre. The sales are all former truck farms and are quite similar to the subject.

Five ground leases within a five-mile radius of the subject property indicate the following yield rates: 10.7%, 11.05%, 11.3%, 10.3% and 11.6%.

The capitalization rate is 11%.

Financial tables indicate the following:

Year	Present value of $1 per year factor 10.5%	Present value of $1 per year factor 11%	Present value of $1 per year factor 11.5%
1	0.904977	0.900901	0.896861
2	1.723961	1.712523	1.701221
3	2.465123	2.443715	2.422619

Question

1. Develop an opinion as to the temporary easement rental value.

Exercises

2

EXERCISE 14
Motown Water District

A water line proposed by the Motown Water District will cross the Union Cheese Company's aeration beds. The beds, an integral part of the cheese manufacturing operation, are needed for the company's on-site wastewater treatment. The subject property contains 9 acres and the cheese plant contains 20,000 square feet. The highest and best use is the present use.

The water line will encumber approximately 0.5 acres. The placement of the water line will prohibit the use of the aeration beds. Because of project design restrictions, the proposed water line can not be constructed on an alternate alignment. The property does not have access to municipal sewer facilities.

John McCheddar, plant manager, has asked you for your opinion as to the value impact of the proposed easement acquisition on the property.

Your market research indicates the following:

- Comparable land sales indicate parcels similar to the subject site sell for $20,000/acre.
- Cheese plant improvements contribute $50/s.f. to value.
- Warehouse rentals for improvements similar in size to the subject are approximately $3.00/s.f./year. Rentals include the use of any accompanying acreage.
- Applicable capitalization rates for area warehouse properties with similar characteristics are 12%. Typical effective gross income ratios are approximately 50%.
- Industrial land in the area, which is encumbered by sewer line easements are reduced approximately 25% from fee value.
- Engineering studies indicate that the cost to relocate the aeration beds will be $350,000.

Question

1. Based on the data, what is your opinion of compensation to the Union Cheese Company?

Exercises

2

EXERCISE 15
The 12.7 Acre Parcel

The subject property contains 12.7 acres. The property fronts on a rural road on the east and a railroad right of way on the west. The property is currently being farmed. You have located sales of similar properties, for agricultural use, for $1,500 per acre. Other sales, also similar to the subject property, but with industrial potential, indicate a value of $3,000/acre.

The County requires a building setback of 90' from the centerline of a rural road and 40' from a railroad.

The proposed 2-acre pipeline easement will be located 40' east of the railroad.

In the after situation, there is no longer a potential for industrial use. In your opinion, the easement will have only a nominal affect on the property for agricultural use.

Questions

1. What is the before value of the subject property?
2. What is the after value of the subject property?
3. What is the compensation?
4. What is the value of the part taken?
5. What are the damages to the remainder, if any?

Exercises

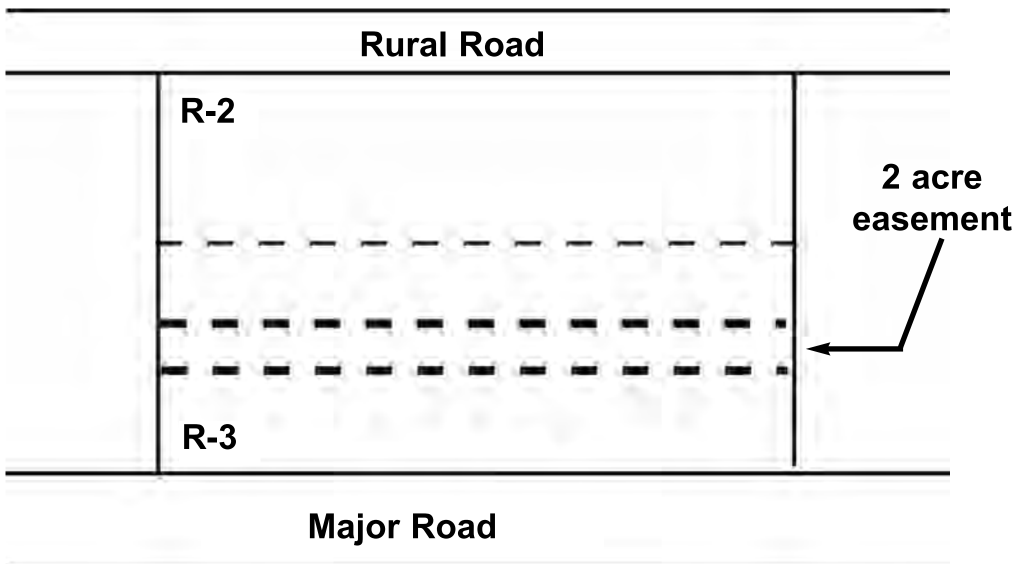
2

EXERCISE 16
The County Acquisition

The subject property contains 50 acres. Thirty acres have major road frontage and is zoned R-3. Comparable sales indicate a value of $25,000/acre. The remaining 20 acres has minor road frontage and is zoned R-2. Comparable sales indicate a value of $10,000/acre.

Investigation indicates that there is no reasonable probability of a zoning change of the back 20 acres to R-3.

The County will acquire a 2-acre permanent easement for the construction of an open drainage channel. The channel will have riprap banks.



After the acquisition, the 8 acres of R-3 land north of the easement will only have physical access from the rural road. A bridge could be installed across the drainage easement to provide physical access and to provide for utility installation. The bridge cost will be $95,000. If the bridge is installed the 8 acres would be worth $20,000/acre. (The loss of value of $5,000/acre is attributed to the reduced size and restricted access).

Exercises

Questions

1. What is the before value of the subject property?
2. What is the after value of the subject property?
3. What is the compensation?
4. What is the compensation if a bridge is built across the easement?

Easements

The Uniform Appraisal Standards for Federal Land Acquisitions have been developed, revised, approved, adopted and promulgated on behalf of the Interagency Land Acquisition Conference. The Conference is solely and exclusively responsible for the content of the Standards. The Appraisal Foundation provided editing and technical assistance to the Standards, but neither undertakes nor assumes any responsibility whatsoever for the content of the Standards. The Appraisal Foundation has published the Uniform Appraisal Standards for Federal Land Acquisitions on behalf of the Conference and in cooperation with the United States Department of Justice.

Printed in the United States of America

ISBN: 978-0-09892208-8-0

4.6.5. Easement Valuation Issues. In general terms, an easement is a limited right to use or control land owned by another for specified purposes.[871] An easement is a property interest less than the fee estate, with the owner of the underlying fee (the servient estate) retaining full dominion over the realty, subject only to the easement (the dominant estate); the fee owner may make any use of the realty that does not interfere with the easement holder's reasonable use of the easement and is not specifically excluded by the terms of the easement.

In easement acquisitions, the agency must provide the appraiser with a written description of the precise estate(s) being acquired. There is no "generic" road easement, conservation easement, or any other type of easement.

Easements are either appurtenant or in gross. An appurtenant easement benefits another tract of land, and typically is useful only in conjunction with other property but has no independent utility—for example, a highway access easement for adjacent land. An easement in gross benefits a person or entity, and typically has utility in and of itself or in conjunction with other easements—such as a continuous easement across multiple tracts of land, forming a right of way.

Federal acquisitions involve a wide variety of easements, including road, pipeline, transmission line, levee, flowage, clearance, avigation, scenic, conservation, tunnel, sewer line, construction, access, and safety zone easements, among others.[872] Easements may be permanent (perpetual) or temporary.[873]

Easement-related valuation problems typically arise in federal acquisitions in one of three scenarios: (1) direct acquisition of an easement—that is, a *dominant* easement interest—and its resulting impact on the value of the larger parcel; (2) acquisition of a *servient* estate encumbered by an existing (dominant) easement; or (3) acquisition that *affects or extinguishes an existing easement benefitting another*

A dual-premise appraisal may be useful to evaluate how acquisitions of various partial interests affect market value.

869 *See United States v. Grizzard*, 219 U.S. 180, 184 (1911) ("'just compensation' . . . obviously requires that the recompense to the owner for the loss caused to him by the taking of a part of a parcel, or single tract of land, shall be measured by the loss resulting to him from the appropriation"); *Bos. Chamber of Commerce v. City of Boston*, 217 U.S. 189, 195 (1910) ("What has the owner lost? not, What has the taker gained?"); *cf. Miller*, 317 U.S. at 375 ("Since the owner is to receive no more than indemnity for his loss, his award cannot be enhanced by any gain to the taker.").

870 *Grizzard*, 219 U.S. at 184, 185-86.

871 Black's Law Dictionary defines an easement as "[a]n interest in land owned by another person, consisting in the right to use or control the land, or an area above or below it, for a specific limited purpose . . . ." *Easement*, Black's Law Dictionary (10th ed. 2014).

872 Easements that affect or relate to riparian uses—such as flowage, levee or irrigation easements—may raise special valuation issues due to the United States' dominant navigational servitude. *See* Section 4.11.1; *cf. Weatherford v. United States*, 606 F.2d 851 (9th Cir. 1979).

873 *See* Section 4.7; *cf. Ark. Game & Fish Comm'n v. United States*, 133 S. Ct. 511, 517-19 (2012).

parcel (the affected easement may be *appurtenant* or *in gross*). In each scenario addressed below, the effect of the easement must be analyzed to reach a supported opinion of value.

As discussed in Section 4.1.4, the nature and extent of the easement (or any other interest in property) being acquired will be determined by the agency, as delegated by Congress. In easement acquisitions, this means the agency must carefully and precisely define the property interest(s) being acquired and expressly state what interest(s), if any, will remain with the landowner.[874] As the Supreme Court held, if the terms of the easement being acquired are unclear, "it would be premature for us to consider whether the amount of the award . . . was proper."[875]

4.6.5.1. Dominant Easement Interests. Compensation for the acquisition of a dominant easement interest is measured by "the difference in the value of the servient land before and after the Government's easement was imposed."[876] Accordingly, federal acquisitions of dominant easement interests must be valued using a before and after methodology, reflecting compensable damage and special (direct) benefits to the remainder, as with all other partial acquisitions.[877]

If an acquisition imposes an easement upon an entire ownership, there is a remainder estate in the land within the easement.[878] If the easement is impressed upon less than the full area of the larger parcel, the remainder will also include the portion of the parcel outside the easement.[879] In either setting, it is well established that "[t]he valuation of an easement upon the basis of its destructive impact upon other uses of the servient fee is a universally accepted method of determining worth."[880] Accordingly, in a valuation involving acquisition of a dominant easement, the appraiser must clearly understand the specific terms of the easement involved to analyze the burden the easement imposes on the servient estate and the resulting impact on the value of the affected land.[881] As the Sixth Circuit observed, "for the commissioners to determine the 'before and after' value of the land, it was necessary that they clearly understood what rights the landowner would retain in the land subject to the easement."[882]

---

874 *Compare United States v. 3,218.9 Acres of Land in Warren Cty.*, 619 F.2d 288, 289-91 (3d Cir. 1980) (noting "explicit" description of "the nature of the estate to be taken" and "clear" language that "third party mineral rights are not intended to be affected"), *with United States v. City of Tacoma*, 330 F.2d 153, 155-56 (9th Cir. 1964) (reversing judgment of compensation that did not resolve "the nature of the easement taken," as leaving "this critical issue undecided" was detrimental to both the United States and the landowner).

875 *United States v. Causby*, 328 U.S. 256, 268 (1946); *see City of Tacoma*, 330 F.2d at 155-56.

876 *United States v. Va. Elec. & Power Co.*, 365 U.S. 624, 626 n.2, 632 (1961); *Dugan v. Rank*, 372 U.S. 609, 626 (1963).

877 *Va. Elec.*, 365 U.S. at 632; *Rasmuson v. United States*, 807 F.3d 1343, 1345 (Fed. Cir. 2015); *United States v. 8.41 Acres of Land in Orange Cty.*, 680 F.2d 388, 392 (5th Cir. 1982); *United States v. 38.60 Acres of Land in Henry Cty.*, 625 F.2d 196, 198-99 (8th Cir. 1980); *Transwestern Pipeline Co. v. O'Brien*, 418 F.2d 15, 21 (5th Cir. 1969); *see United States v. Banisadr Bldg. Joint Venture*, 65 F.3d 374 (4th Cir. 1995).

878 *E.g.*, *United States v. 68.94 Acres of Land in Kent Cty.*, 918 F.2d 389 (3d Cir. 1990).

879 *E.g.*, *United States v. 38.60 Acres of Land*, 625 F.2d 196 (8th Cir. 1980); *Transwestern Pipeline*, 418 F.2d 15.

880 *Va. Elec.*, 365 U.S. at 630; *see 68.94 Acres*, 918 F.2d at 393 n.3; *38.60 Acres*, 625 F.2d at 198 & n.1; *Transwestern Pipeline*, 418 F.2d at 21.

881 *United States v. Causby*, 328 U.S. 256, 268 (1946) ("Since . . . it is not clear whether the easement taken is a permanent or a temporary one, it would be premature for us to consider whether the amount of the award . . . was proper.").

882 *Evans v. Tenn. Valley Auth.*, 922 F.2d 841, 1991 WL 1113, at *2 (6th Cir. 1991) (unpubl.) (discussing *United States ex rel. Tenn. Valley Auth. v. An Easement & Right-of-Way*, 182 F. Supp. 899 (M.D. Tenn. 1960)); *cf. Monongahela Nav. Co. v. United States*, 148 U.S. 312, 344 (1893) ("doubtless the existence of [a] reserved right to take the property upon certain specified terms may often, and perhaps in the present case, materially affect the question of value").

APPENDIX A

Glossary

Abandonment: The relinquishment of all rights and interests in real property without intention to reclaim; a conveyance of a portion of a highway right of way or facility by a governmental agency to another party.

Absolute net lease: A lease in which the lessee pays all expenses.

Abstraction: A method to estimate land value in which the depreciated cost of the improvements on the improved property is estimated and deducted from the total sale price to arrive at an estimated sale price for the land — most effective when the improvements contribute little value to the total sale price of the property.

Accrued depreciation: The difference between an improvement's cost new and its value as of a given date (CUSPAP).

Acre: A land measurement equaling 160 square rods or 4,840 square yards or 43,560 square feet or 0.4047 hectares.

Across the fence value: In the valuation of real estate corridors, the value concluded based on a comparison with adjacent lands before the consideration of any other adjustment factors (The Dictionary of Real Estate Appraisal, 7th Edition).

Actual age: The number of years that have elapsed since the completed construction of an improvement.

Ad valorem: According to the value; in proportion to the value of something.

Ad valorem tax: A tax varying with the value of property being taxed.

Adverse Possession: A claim made against the property of another by virtue of actual, continuous (for a time period established by statute), exclusive, hostile, notorious (the other ownership claimant has notice of the possession and its extent), open, and under claim of title.

After appraisal: 1. Part of an appraisal of a property from which only a portion of the property is acquired for a project. 2. That portion of an appraisal "after" a partial acquisition for a project.

Age-life depreciation: A method to estimate depreciation by developing a ratio between the improvement's effective age and its economic life and then multiplying by the improvement's cost when new.

Agents in production: The agents of land, labor, capital and management, which together create wealth income, or services.

Air rights: The right to use and control a designated airspace above a real estate parcel.

Allocation: 1. The process of separating value into its components. 2. A method to opine land value by which improved property sales are analyzed to develop a typical land value to property value ratio with the ratio multiplied by the property being appraised or the comparable sales being analyzed.

Amortization: 1. The process of recovering, over a stated period of time, a capital investment. 2. The provision for the gradual reduction of an obligation, usually on an installment basis.
Annual constant: A capitalization rate for debt. 2. It is the ratio between the annual debt service and the mortgage amount. (RM = ADS/VM).

Annual debt service: The total annual principal and interest loan payment.

Annual loan constant: A capitalization rate for debt. 2. It is the ratio between the annual debt service and the mortgage amount. (RM = ADS/VM).

Annuity: 1. An annual income. 2. A series of periodic payments that includes both a partial return of capital and interest on the capital. 3. A return in equal amounts (level annuity) or in increasing amounts (increasing annuity) or decreasing amounts (decreasing annuity). 4. A series of periodic payments, usually, although not necessarily, equal in amount and made at equal intervals of time, usually annually.

Anticipation: A real estate principle that holds that present value is created by the expectations of future benefits.

Appraisal: 1. The act or process of developing a value opinion. 2. A formal opinion of value expressed either in written or oral form that is prepared as a result of a retainer or an agreement and is intended to be relied upon by identified parties; and for which the Member assumes responsibility (CUSPAP).

Appraisal date: The date at which the analysis, opinions and advice in an appraisal, review, or consulting service apply.

Appraisal practice: 1. Valuation services performed by an individual acting as an appraiser, including but not limited to appraisal and appraisal review. or appraisal consulting. 2. A generic term to describe the work or professional services performed by a Member, defined by the six activities regulated by these Standards: Real Property Appraisal, Review, Consulting, Reserve Fund Study, Machinery and Equipment Appraisal, and Mass Appraisal. (CUSPAP).

Appraisal process: A systematic procedure to address the client’s valuation issue.

Appraisal report: Any communication, written or oral, of a Professional Service that is transmitted to an Authorized Client or Authorized User as a result of an Assignment. Note: Report types may include form reports, concise reports, or comprehensive reports in complete or draft form. A “letter of opinion” is not an acceptable report type. (CUSPAP).

Appraisal review: The process of developing and communicating a credible opinion as to the quality of another appraiser’s work.

Appraised value: The appraiser's opinions and conclusions resulting from an assignment.

Appraiser: A person who performs valuation services competently and in an independent, impartial and unbiased manner.

Appreciation: The increase in cost, price, or value resulting from improved economic conditions and increasing price levels.

Approaches to value: The three approaches to developing a value opinion: the cost approach, the income capitalization approach and the sales comparison approach.

Approved appraisal: The approval of an appraisal by an agency official before it is used by the agency as its just compensation offer.

Assemblage: The physical combining of two or more parcels into one ownership or use.

Assessed value: A property valuation by an assessor to provide for the sharing of the costs of government operations.

Assessment: The valuation of property for tax purposes.

Automated valuation model: Computer software that uses property database information to pull relevant comparable information and assign a value or range of values to a particular property (The Dictionary of Real Estate Appraisal, 7th Edition).

Avigation easement: The right granted by a property owner for the use of the airspace above a specific height for aircraft flight. The easement prohibits the property owner from using the land for structures, trees, signs, stacks, etc. higher than the altitude specified in the avigation easement. The degree of restriction will vary depending on the glide angle plane necessary for the safe use of an airfield's runway.

Avulsion: The sudden removal of soil by natural action, usually water, from one property and the depositing of the soil on the property of another.

Backland theory: A legal theory that asserts that in a partial taking of a tract of land with different zones of value, compensation is based on the property of lower value (even if higher valued property is taken) provided the same amount of higher valued land can be reestablished after the taking (The Dictionary of Real Estate Appraisal, 7th Edition).

Before tax cash flow: Cash flow remaining after annual debt service.

Balance: A real estate principle that holds that value is created and maintained in proportion to the equilibrium (balance) attained in the amount and location of essential uses of real estate. Maximum value is created at that point where the four factors of production (land, labor, capital and management) are in equilibrium (balance).

Band of investment: A technique used to develop capitalization rates based on the weighted averages of the rate's components.

Base rent: A minimum rent amount specified in a lease.

Before and after method: An appraisal method used in the valuation of partial acquisitions. The appraiser develops an opinion of value prior to the acquisition or take and another opinion of value after the acquisition or take. The difference is the value of the acquisition.

Before appraisal: 1. Part of an appraisal of a property from which only a portion of the property is acquired for a project. 2. That portion of an appraisal "before" a partial acquisition for a project. Benefits: An increase in value to property not acquired but which benefits from the acquisition.

Backland Theory: A legal theory that asserts that in a partial taking of a tract of land with different zones of value, compensation is based on the property of lower value (even if higher valued property is taken) provided the same amount of higher valued land can be reestablished after the taking (seldom used as there are different laws for different states, whereby some declare that the owner must be paid for the taking).

Base Rent: The minimum rent due under the terms of a lease that also requires the tenant to pay additional rent based on a percentage or participation requirement, usually used in a commercial application.

Before and After Method: This is the Federal Rule used in the valuation of partial acquisition in America. The appraiser develops an opinion of value prior to the acquisition or take, and another opinion of value after the acquisition or take. The difference is the value of the acquisition, be it a plus or a minus number.

Benefits: A payment made or an entitlement available based on public law, whereby a property owner or tenant may receive an enhancement based on the effects of a taking; an increase in value to property not acquired but which benefits from an acquisition.

Betterment: A physical improvement or a capital expenditure that increases the utility or market desirability of an improvement. It is distinguished from repairs or replacements by the fact that the original character is improved, and the value is increased (may arise from a physical change external to the property such as street improvements, improved drainage facilities, etc.). Its measure of value is not in actual cost, but in enhanced value imparted to the property.

Breakdown method: A method of estimating depreciation in which the total loss in property value is estimated by analyzing and measuring each cause of depreciation separately.

Brownfield: An abandoned, idled, or underused industrial or commercial site or facility where redevelopment is complicated by real or perceived environmental contamination; an urban development site that has been previously built on or environmentally contaminated and is currently unusable or abandoned.

Building capitalization rate: A rate that expresses the relationship between the net operating income to the building and the building value (RB = IB/VB).

Building residual technique: A technique in which the building is valued independent of the land. The annual net income to the land is deducted from the estimated annual net annual income to the property. The residual amount is income attributable to the building, which is capitalized with a building capitalization rate into a building value.

Bundle of rights: 1) The bundle of rights is a common way to explain the complexities of property ownership; the legal rights of ownership, including enjoyment, exclusion, disposition, possession, and control. Anyone, or several, of the rights may be transferred or conveyed to another, with the owner retaining any rights not conveyed. 2) All of the rights of real estate ownership, which includes the right to enter, use, lease, sell, give away, or the right not to do any of these things.(CUSPAP)

Canadian Uniform Standards of Professional Appraisal Practice: Appraisal standards developed for appraisers and users of appraisal services to promote a high level of public trust in professional appraisal practice.

Capital: 1. Accumulation of wealth. 2. One of the agents in production. 3. Money available for investment.

Capitalization: The process of converting income into an opinion of value through the application of a rate.

Capitalization rate: A rate used to convert income into value.

Cash flow rate: A capitalization rate for equity. It is the ratio between the annual equity dividend and the equity value. (RE = IE/VE)

Cash on cash rate: A capitalization rate for equity. It is the ratio between the annual equity dividend and the equity value. (RE = IE/VE)

Change: A real estate principle that holds that change is the result of cause-and-effect relationships among the forces that impact real estate.

Chattel (personal): Personal property.

Chattel (real): All real property estates that do not constitute a freehold or fee estate. For example, a lease.

Chronological age: The number of years that have elapsed since the completed construction of an improvement.

Client: 1. The party or parties who engage another, by contract or employment. 2. The party or parties who engage an appraiser in a specific assignment (CUSPAP).

Comparables: Properties used as comparisons to opine the value of a specific property.

Comparative method: A method used in the cost approach to develop a cost estimate in terms of dollars per unit (e.g., square foot, square meter, cubic feet).

Comparative unit method: A method used in the cost approach to develop a cost estimate in terms of dollars per unit (e.g., square foot, square meter, cubic feet).

Compensable damages: Damages for which compensation must be paid under expropriation.

Compensable interest: A property right, which if acquired for public purposes, would entitle the owner to receive just compensation.

Compensation (Due Compensation): Compensation is the act or process of making amends for something. In expropriation, compensation is made for property acquired under expropriation that places a property owner in the same position as before the property was taken. In most provinces / territories, it is usually the market value of the property acquired and damages if applicable.

Competition: A real estate principle that holds that competition is the interactive efforts among market participants to secure real estate or an interest in real estate.

Conforming use: A use permitted by zoning regulations.

Conformity: A real estate principle that holds that value is created and sustained when the property's characteristics conform to market demands.

Consent to dismiss and waiver of deposit: A formal document where a defendant in a condemnation action gives consent to the dismissal of the action and waives all claims to money that may have been deposited.

Consequential damages: Loss in value to real estate, no part of which is acquired, resulting from a public improvement.

Conservation easement: A restriction that limits future property use to conservation or preservation.

Consistent use: The premise that when improved land is in a state of transition to another "highest and best use" it cannot be appraised with one use allocated to the land and another to the building or other improvements. (Basics of Real Estate Appraising).

Contract rent: 1. The amount of rent provided for under the terms of the lease. 2. The actual rent that is agreed to be paid.

Contribution: A real estate principle that states that the value of the factors of production or of a component part of property depends on how much it contributes to the value of the whole, or how much its absence detracts from the value of the whole.

Cost: The total dollar amounts necessary to create an improvement.

Cost approach: 1. One of the three approaches to value. 2. A set of procedures by which a value indication is obtained by estimating the reproduction or replacement cost new of a structure, deducting depreciation from all causes, and adding the land value opinion.

Cost services method: A method used in the cost approach to develop a cost estimate through the use of cost service manuals or books.

Cost to cure: The cost to restore an item of deferred maintenance to new or reasonably new condition; in the taking of right of way, the difference in the depreciated cost of a take or damage to a component, and the value to restore the utility or cure remaining damages to the item, but not to exceed 100% of the value.

Curable depreciation: Items of physical deterioration and functional obsolescence that are customarily repaired or replaced because the contributory value as repaired or replaced is equal to or more than the cost to cure.

Current value opinion: Refers to an effective date contemporaneous with the date of the report, at the time of inspection or at some other date within a reasonably short period from the date of inspection when market conditions have not or are not expected to have changed (CUSPAP).

Damages to the remainder (or damages, indirect damages, proximity damages, severance damages): The losses in value to the remaining property as a result of a partial taking.

Disturbance Damages: The losses incurred by the expropriated landowner for moving from the expropriated land. They are only available to an owner who is in occupation of the expropriated land during the expropriation process.

Date of the report: 1. The date of the transmittal letter of a written report or the date a written report lacking a transmittal letter is prepared by the appraiser. 2. The date of an oral report is the date it is communicated to or for the client. 3. The date of the report may or may not be the same as the effective date of the appraisal. 4. The date of the report refers to the date of completion of the report. Where retrospective or prospective, the date of the report and the effective date of the appraisal must be included in tandem throughout, to provide the reader with a clear understanding of any distinction in conditions between the two dates. Compliance is required with (CUSPAP) Standards in effect as at the date of the report (CUSPAP).

Debt service: The total annual principal and interest loan payment.

Deed: A written instrument, usually under seal, by which the ownership interests in real estate are transferred from one party to another.

Deed Restriction: A limitation that passes with the property regardless of ownership, most commonly limiting the type of use or intensity of real estate use.

Design-Build: The procurement or project delivery arrangement whereby a single entity (a contractor with sub-consultants or team of contractors and engineers, often with sub-consultants) is entrusted with both design and construction of a project. This contrasts with traditional procurement where one contract is bid for the design phase and then a second contract is bid for the construction phase of the project.

Deferred maintenance: Curable, physical deterioration that should be corrected immediately, although work has not commenced (The Dictionary of Real Estate Appraisal, 7th Edition).

Deficit rent: The amount by which market rent exceeds contract rent.

Depreciation: 1. A loss in value from any cause. 2. Physical deterioration, functional obsolescence and external obsolescence.

Deterioration: Impairment of condition; one of the causes of depreciation and reflecting the loss in value brought about by wear and tear, disintegration, use in service and the action of the elements.

Developer: 1) A builder. 2) One who prepares the raw land for construction and then sells lots to a builder.

Developer's Profit: The portion of the project profit stemming from the efforts of the developer.

Direct capitalization: An income capitalization approach technique that converts an estimate of a single year's income into value in one step.

Direct comparison approach: 1. One of the three approaches to value. 2. A set of procedures by which a value indication is obtained by comparing properties that have sold recently to the property being appraised.

Direct damages: Payment for property or an interest in property actually acquired for a public improvement.

Direct method: An income approach technique that converts an estimate of a single year's income into value in one step.

Discount rate: A yield rate that converts or discounts future payments into present value.

Discounted cash flow analysis: An income capitalization approach technique that converts an estimate of every year's income, over the holding period, and the reversion into value.

Dominant estate: The property that benefits from an easement.

Dominant tenement: The land which benefits from or has the advantage of an easement.

Drainage easement: The right to drain surface water from one property owner's property across another's property.

Easement: A nonpossessory interest held by one person in property of another where the first person is accorded partial use of the property for a specific purpose. An easement restricts but does not abrogate the fee owner's rights to the use and enjoyment of the property.

Easement, appurtenant: An easement for the benefit of another property. The easement passes with the property transfer.

Easement, avigation: The right granted by a property owner for the use of the airspace above a specific height for aircraft flight. The easement prohibits the property owner from using the land for structures, trees, signs, stacks, etc. higher than the altitude specified in the avigation easement. The degree of restriction will vary depending on the glide angle plane necessary for the safe use of an airfield's runway.

Easement by prescription: The right to use the property of another, which is established by exercising this right over a period of time.

Easement, drainage: The right to drain surface water from one property owner's property across another's property.

Easement, highway: The right to use the property of another for the construction, operation and maintenance of a highway.

Easement in gross: An easement for the benefit of a person or entity. Commonly, public utility easements. Easement of necessity: A court granted easement when it is determined that the easement is essential for the use and enjoyment of the property.

Easement, overhead: The right to use the space at a designated distance above the surface of the land as for power lines, avigation and air rights.

Easement, pipeline: The right to use the property of another for the construction, operation and maintenance of a pipeline.

Easement, planting: An easement for reshaping roadway areas and establishing, maintaining and controlling plant growth.

Easement, scenic: An easement for conservation and development of roadside views and natural features.

Easement, sight: An easement for maintaining or improving sight distances.

Easement, slope: An easement for cuts or fills.

Easement, subsurface: The right to use the space at a designated distance below the surface of the land as for pipelines and storage facilities.

Easement, surface: The right to use the surface of the land as for access and flowage.

Economic age-life depreciation: A method to estimate depreciation by developing a ratio between the improvement's effective age and its economic life and then multiplied by the improvement's cost new.

Economic feasibility: An investment's ability to produce sufficient income to pay expenses and provide a reasonable return on and recapture of the capital invested.

Economic age-life method: A method to estimate depreciation by developing a ratio between the improvement's effective age and its economic life and then multiplied by the improvement's cost new.

Economic life: The period over which an improvement contributes to property value.

Effective age: The age of a structure based on its observed condition; physical, functional and external.

Effective date: 1. The date at which the analysis, opinions and advice in an appraisal, review, or consulting service applies. 2. The date at which the analyses, opinions, and conclusions in an Assignment apply. The Effective Date may be different from the Inspection date and/or the Report date (CUSPAP).

Effective gross income: The estimated potential gross income less a vacancy and collection loss.

Effective gross income multiplier: The ratio between a sale price and the property's effective gross income. (EGIM = SP/EGI)

Equity: The owner's interest in real estate.

Equity capitalization rate: It is the ratio between the annual equity dividend and the equity value. (RE = IE/VE) Equity dividend: Cash flow remaining after annual debt service.

Equity dividend rate: A capitalization rate for equity. It is the ratio between the annual equity dividend and the equity value. (RE = IE/VE)

Equity yield rate: The equity investor's internal rate of return.

Escheat: The reversion of property to the state in a case when an individual dies intestate and without heirs.

Estate: A right or interest in property.

Evaluation: A valuation permitted by the Agencies' appraisal regulations for transactions that qualify for the appraisal threshold exemption, business loan exemption, or subsequent transaction exemption (Interagency Appraisal and Evaluation Guidelines).

Excess rent: Land that is part of a site that is not used (supporting the existing improvements' highest and best use) but that may have its own highest and best use and may have marketable value independent of the utilized land. The amount by which contract rent exceeds market rent.

Expenses: The operating expenses necessary to maintain a continuing flow of gross income.

Expert Witness: A person who by reason of education and/or experience gives evidence; a person who is recognized by the court as an expert on the subject matter in question (a property owner is generally accepted as an expert in their own lands). One acknowledged to have special training and knowledge of a particular subject and testifying on that subject.

Expropriation: The governmental seizure of property or a change to existing private property rights, usually for public benefit

External depreciation: An element of depreciation, usually incurable, caused by negative influences outside the property.

External obsolescence: An element of depreciation, usually incurable, caused by negative influences outside the property.

Extraction: A method to opine land value by extracting the depreciated improvement value from the total sale price to arrive at the value of the land.

Extraordinary assumption: An assumption, directly related to a specific Assignment, which, if were not assumed to be true, could materially alter the opinions or conclusions. (CUSPAP).

Factors in production: The agents of land, labor, capital and management, which together create wealth, income, or services.

Feasibility analysis: 1. A study of whether or not a project will meet the proposer's objectives. 2. An investigation of the practicalities of a project or plan. 3. The cost-benefit relationships of an economic endeavor.

Fee simple estate: 1. The highest real estate ownership interest. 2. Absolute ownership unencumbered by any other interest or estate.

Financial analysis: The cost-benefit relationships of an economic endeavor.

Fixed expenses: Operating expenses that did not usually vary with the level of occupancy (e.g., real estate taxes and insurance).

Fixture: An item that was once personal property but is now an integral part of the real estate.

Foreclosure: A legal proceeding to extinguish a property owner's rights, title, and interest in order to sell the owner's property to satisfy a lien; a method of enforcing payment of a debt secured by a mortgage by seizing the mortgaged property. Foreclosure terminates all rights that the mortgagor has in the mortgaged property upon completion of due process through the courts.

Functional depreciation: A loss in value as a result of design, materials or workmanship inadequacy or super adequacy, by standards as of the appraisal effective date.

Functional obsolescence: 1) Impairment of functional capacity or efficiency; the state of becoming old-fashioned and no longer used, especially because of being replaced by something newer and more effective. (2) A type of depreciation (loss in value) to improvements because the design and/or materials are outdated. When economically feasible to correct, it is called curable, when not it is incurable.

Functional utility: The ability of a structure to perform the functions for which it is intended.

General benefit: The advantage accruing from a given public improvement to the community as a whole.

Going concern value: The value of an operating business.

Goodwill: A saleable asset of a business, based on its reputation rather than its physical assets.

Goodwill value: A component of going concern value that represents the value of intangible assets (e.g., franchise reputations, customer patronage, location, products and other similar factors).

Graduated lease: A lease that provides for certain rental adjustments at one or more points during the lease term. Gross income multiplier: The ratio between a sale price and the property's potential gross income. (PGIM = SP/PGI) or the ratio between a sale price and the property's effective gross income. (EGIM = SP/EGI)

Gross lease: A lease of property where the lessor pays all property charges regularly incurred through ownership.

Gross rent multiplier: The ratio between a sale price and the property's gross rent. (GRM = SP/GR)

Ground rent: 1. The rent paid to use and occupy land. 2. That portion of the total rent paid allocated to the land.

Ground rent capitalization: A method to opine land value by dividing the ground rent by a land capitalization rate. (VL = IL/RL)

Hectare: A land measurement equaling 10,000 square meters or 2.471 acres.

Highest and best use: 1. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported and financially feasible and that results in the highest value (The Dictionary of Real Estate, 7th Edition). 2. The reasonably probable use of real property, that is physically possible, legally permissible, financially feasible, and maximally productive, and that results in the highest value (CUSPAP).

Highway easement: The right to use the property of another for the construction, operation and maintenance of a highway.

Historical age: The number of years that have elapsed since the completed construction of an improvement.

Historical cost: The cost of a structure at the time of its construction.

Hypothetical condition: 1. Hypothetical Conditions are a specific type of an Extraordinary Assumption that presumes, as fact, simulated but untrue information about physical, legal, or economic characteristics of the subject property or external conditions and are imposed for purposes of reasonable analysis. (CUSPAP).
2. Common hypothetical conditions include proposed improvements and prospective appraisals.

Improved land: 1. Land that has been developed for some use by the construction of a structure. 2. Land that has been prepared for development (e.g., grading, drainage, utility installation).

Improvement: A building or other structure permanently attached to the land.

Improvement to land: Alteration or addition to land to make the property usable (e.g., grading, curbs, sidewalks, fills).

In gross: A personal right rather than a right attached to real estate.

In rem: Pertaining to property.

Income approach: 1. One of the three approaches to value. 2. A set of procedures by which income is converted into value through the application of a rate.

Income capitalization approach: 1. One of the three approaches to value. 2. A set of procedures by which income is converted into value through the application of a rate.

Income rate: A rate that reflects the relationship of one year's income to value.

Incurable depreciation: Loss in value resulting from those elements of physical deterioration, functional obsolescence and external obsolescence that either cannot be corrected or would not produce an increment in value sufficient to warrant the cost of correction.

Injurious affection: The reduction in market value caused to the remaining land of the owner by the acquisition or by the construction of the works or by the use of the works or by any combination of them and such personal and business damages, resulting from the construction or use, or both, of the works as the statutory authority would be liable for if the construction or use were not under the authority of a statute. (The Expropriations Act).

Intangible asset, Intangible property: Non-physical asset, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts, as distinguished from physical assets such as facilities and equipment (CUSPAP).

Interest rate: The rate of return on debt capital.

Interim use: The temporary use to which a property is put until it reaches its highest and best use.

Internal rate of return: 1. The rate that discounts all the returns to the amount of the original investment. 2. The rate that discounts all the returns to a net present value of zero.

Intrinsic value: A concept in which value is claimed to be inherent in the object.

Investment analysis: A study that reflects the relationship between the acquisition price and the anticipated future benefits of a real estate investment.

Investment value: The value of an investment to a particular investor, based on the investor's specific requirements.

Jurisdictional exception: An Assignment condition that permits the Member to disregard a part or parts of these Standards that are determined to be contrary to law or public policy in a given jurisdiction; only that part or parts shall be disregarded and of no force or effect in that jurisdiction. (CUSPAP).

Land: 1. The earth's surface. 2. In an economic sense, one of the agents or factors of production. 3. In a legal sense, the solid part of the surface of the earth, as distinguished from water.

Land capitalization rate: A rate that expresses the relationship between the net operating income to the land and the land value. (RL = IL/VL)

Land classification: 1. The classification of specific land types according to their characteristics or their capabilities for use. 2. The classification of soils into groups that have common features of position in the landscape, texture, drainage, slope and erosion and including factors of soil type and topography.

Land improvements: Physical changes in or construction on land to increase its utility and value.

Land residual technique: A method to opine land value where the land is valued independent of the building. The annual net income to the building is deducted from the estimated annual net income to the property. The residual amount is income attributable to the land, which is capitalized with a land capitalization rate into a land value.

Landlocked parcel: A parcel of land surrounded entirely by privately owned land, without access to any type of public or private access. Often associated with the partial taking of land for highway purposes.

Larger parcel: 1. In condemnation/expropriation, the portion of a property that has unity of ownership, contiguity and unity of use, the conditions that establish the larger parcel for valuation purposes. In many jurisdictions, contiguity is sometimes subordinated to unity of ownership and unity of use. 2. The subject property when considered together with contiguous or nearby property, the value of which is impacted by common ownership.

Lease: A contract where the owner transfers the right of possession and use of the real estate to another for a specified time period and on payment of a consideration, usually rent.

Leased fee interest: 1. The right to receive consideration, usually rent and the right to recapture the real estate at the end of the lease term. 2. The present (discounted) value of the contract (lease) rent plus the present (discounted) value of the reversion.

Leasehold improvement: An improvement and/or addition to leased property made by the lessee.

Leasehold interest: 1. The right to possess, use and quietly enjoy the real estate for the lease term. 2. The present (discounted) value of the difference between market rent and contract rent.

Lessee: The party to whom a lease is given in return for a consideration, usually rent.

Lessor: The party who gives a lease in return for a consideration, usually rent.

License: A personal privilege to do some act on the land of another.

Life estate: An estate in property for the duration of a specific person's life. Upon that person's death, the estate reverts to the grantor to a remainder interest.

Link: A land measurement equaling 1/100 of a chain or 66/100 of a foot or 7.92 inches.

Loan constant: A capitalization rate for debt. It is the ratio between the annual debt service and the mortgage amount. (RM = ADS/VM)

Loan value: A value that a lender will accept as the basis for a mortgage or trust deed.

Location: 1. Position with respect to human activities. Location is considered one of the basic elements contributing to the value of a property; and accessibility is the principal measure of the value of location. 2. The fixed position of the highway on the ground, including curves and tangents.

Marginal land: Land that barely pays the expenses associated with it.

Market: 1. The place where people interact to sell and buy. 2. The area in which buyers and sellers of a commodities are in communication with one another.

Market analysis: A study of market conditions for a specific property type.

Market rent: The most probable rent that a property should bring in a competitive and open market.

Market value: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from the seller to buyer under conditions whereby: buyer and sellers are typically motivated; both parties are well informed or well advised and acting in what they consider their best interests; a reasonable time is allowed for exposure in the open market; payment is made in terms of cash or in terms of financial arrangements comparable thereto; and the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Mass appraisal: The process of valuing a group of properties as of a given date, using standard methods, employing common data and allowing for statistical testing. (Glossary for Property Appraisal and Assessment).

Master lease: A lease controlling subsequent leases.

Mitigation: Measures taken to reduce adverse impacts on the environment.

Modified economic age-life method: A modification to the economic age-life method to determine depreciation. It breaks down the physical components into repairable depreciation and non-repairable depreciation

Mortgage capitalization rate: A capitalization rate for debt. It is the ratio between the annual debt service and the mortgage amount. (RM = ADS/VM)

Mortgage constant: A capitalization rate for debt. It is the ratio between the annual debt service and the mortgage amount. (RM = ADS/VM)

Mortgage-equity analysis: A yield capitalization method that develops a capitalization rate for combinations of equity yields and mortgage terms.

Neighborhood: A group of complementary land uses.

Net ground lease: A lease of unimproved land which provides that the lessee pays all property charges regularly incurred.

Net income multiplier: The ratio between a sale price and the property's net operating income.(NIM=SP/NOI)

Net lease: A lease of property where the lessee pays all property charges regularly incurred.

Net operating income: The estimated effective gross income less expenses (fixed, variable and replacement allowances).

Net present value: The difference between the present value of the positive cash flows and the present value of the negative cash flows.

Nonconforming use: A use that was lawfully established and maintained but which, because of the application of a zoning ordinance, no longer conforms to the use regulations of the zone in which it is located.

Observed condition method: A method of estimating depreciation in which the total loss in property value is estimated by analyzing and measuring each cause of depreciation separately.

Obsolescence: A loss in value due to defects in design, materials, workmanship, or external factors as measured by present standards. May be functional or external.

Operating expenses: The sum of all fixed and variable operating expenses and the replacement allowance cited in the appraiser's operating expense statement (The Dictionary of Real Estate Appraisal, 7th Edition).

Operating lease: A lease in which the lessor does not transfer substantially all the benefits and risks incident to ownership of property.

Operating statement: A written account of the income, expense and profit or loss of an investment during a specific period.

Overall capitalization rate: A rate that expresses the relationship between the net operating income and the total property price or value. (RO = IO/VO)

Overall yield rate: 1. The rate of return on the total investment (debt and equity). 2. The rate that discounts all the returns to the amount of the total original investment.

Overhead easement: The right to use the space at a designated distance above the surface of the land as for power lines, avigation and air rights.

Over improvement: An improvement that does not reflect the highest and best use for the site on which it is placed because of its excessive size or cost and the consequent inability to develop the maximum land value.

Partial interest: Divided or undivided rights in real estate that represents less than the whole (The Dictionary of Real Estate Appraisal, 7th Edition).

Partial taking: The acquisition of a part of a real estate parcel or a real property interest for public or quasi-public use under eminent domain/expropriation.

Percentage lease: A lease, which provides that part or all of the rent will be based on a percentage of the volume of business, usually associated with a guaranteed minimum rent.

Permanent easement: 1. An easement conveyed in perpetuity. 2. An easement that lasts forever.

Personal property: Property that is movable. Property that is not permanently attached to, or part of, the real estate. Identifiable tangible objects that are considered by the general public as being "personal." For example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate.

Physical deterioration: Loss in value due to age, wear and tear and use.

Physical life: The total period that a building or its components will last.

Pipeline easement: The right to use the property of another for the construction, operation and maintenance of a pipeline.

Planting easement: An easement for reshaping roadway areas and establishing, maintaining and controlling plant growth.

Plottage: The value increment resulting from the combining of two or more parcels into a larger site which has greater utility.

Police power: The right of government to restrict property rights to protect public health, safety and welfare.

Potential gross income: The total income to real estate at full occupancy.

Prescription easement: The right to use the property of another, which is established by exercising this right over a period of time.

Pre-tax cash flow: Cash flow remaining after annual debt service.

Price: The amount asked, offered, or paid for a property.

Prime tenant: The major tenant, the designation of which may be based on financial strength.

Property: Anything, real or personal, that is owned.

Proximity damage: 1. Damage to a property arising as a consequence of the nearness or proximity of a project (e.g., highway) to the property. 2. The diminution in property value as a result of the proximity of a highway or other construction project to a property.

Quantity survey method: A method used in the cost approach to develop a cost estimate. It is a repetition of the contractor's original cost estimating procedures.

Quantum meruit: A principle under which a person should not be obliged to pay, nor should another be allowed to receive, more than the value of the goods or services exchanged.

Real estate: The physical land and attachments (e.g., buildings). 2. Land, buildings, and other affixed improvements, as a tangible entity (CUSPAP).

Real property: 1. The interests, benefits, and rights inherent in the ownership of real estate. (CUSPAP) 2. The bundle of rights.

Reasonable appraiser: One who maintains a level of performance that would be acceptable to the professional practice peer group.

Reconstructed operating statement: A written account of the income, expense and profit or loss of an investment during a specific period.

Remainder: The portion of a parcel that is retained by the owner after a partial taking.

Remaining economic life: The estimated period of time that an improvement will continue to contribute to the property's value.

Remnant: A remainder property of little value or use.

Rent: The consideration paid for the use of property.

Replacement allowance: An expense that provides for a prorated portion of the cost to replace a building component (e.g., roof, HVAC units, remodeling) that will reach the end of its life prior to the building reaching the end of its remaining economic life.

Replacement cost: 1. The cost to construct a structure of equivalent utility to the subject structure as of the effective date of the appraisal. 2. The cost to replace structural components.

Report, appraisal: Any communication, written or oral, of an appraisal, review, consulting or reserve fund planning service that is transmitted to the client as a result of an assignment. The substantive content of a report determines its compliance with CUSPAP. Report types may include form reports, concise short narrative reports, or comprehensive and detailed reports (CUSPAP).

Reproduction cost: The cost to construct a structure that is an exact replica of the subject structure as of the effective date of the appraisal.

Residual: The right to enjoy all the rights in land ownership not otherwise temporarily disposed of to others, as well as the right to receive payment in consideration of the temporary disposition. The residual land interest embodies all the legal rights in the parcel not otherwise disposed of, plus the reversion.

Revaluation lease: A lease that provides for a periodic review of rent based on a reevaluation of the property.

Revenue lease: A lease type when the agency leases to another party for a consideration.

Reversion: 1. The right of the lessor to receive the property back at the end of the lease term or at the end of the holding period. 2. The lump sum benefit that the investor will receive at the end of the investment.

Review appraisal: The process of developing and reporting a credible opinion as to the quality of another appraiser's work.

Right of way estimate: An approximation of the project's property acquisition costs, which is prepared in advance of the appraisal reports.

Sales comparison approach: 1. One of the three approaches to value. 2. A set of procedures by which a value indication is obtained by comparing properties that have sold recently to the property being appraised.

Salvage value: 1. The price of a structure or component that is removed from the premises. 2. An amount that represents the value in place minus the costs to disconnect, move and reconnect.

Sandwich lease: A lease in which an intermediate, or sandwich, leaseholder is the lessee of one party and the lessor of another (The Dictionary of Real Estate Appraisal, 7th Edition).

Scenic easement: An easement for conservation and development of roadside views and natural features.

Scope of work: The type of Inspection, the type and extent of research and analysis required, any limitations, or other terms to fulfill the Authorized Use of an Assignment. (CUSPAP).

Section: A land measurement equaling one square mile or 640 acres or 260 hectares.

Servient estate: The property subject to an easement.

Servient tenement: The land which suffers or has the burden of an easement.

Setback: 1. Zoning regulations that designate the distance building must be set back from property lines. Setoff rule: The rule governing the setting off of benefits. The federal courts and those of some states allow setoff of benefits against both the value of the property taken and the damages to the remainder property. In other jurisdictions the rule allows the setting off of benefits against only the damages to the remainder property.

Severance damages: Damages to the remaining property caused by a partial taking.

Sight easement: An easement for maintaining or improving sight distances.

Site: Land that is ready to be used for a specific purpose.

Site improvements: Improvements on and off a site that make it suitable for its intended use or development (The Dictionary of Real Estate Appraisal, 7th Edition).

Slope easement: An easement for cuts or fills.

Special purpose property: A property devoted to or available for a special purpose (e.g., school, museum, religious facility) but which does not have generally accepted independent marketability.

Stigma: An adverse effect on property value produced by the market's perception of increased environmental risk due to contamination.

Subdivision: A tract of land divided into blocks or lots.

Subdivision development method: A method to opine land value when the land's highest and best use is for subdivision and development. An estimate of the gross sales prices is developed, all expenses associated with the development deducted and the net sale proceeds discounted to present value.

Substitution: A real estate principle that affirms that when there are several similar options available, assuming no costly delay, the one with the lowest price will attract the greatest number of buyers.

Subsurface easement: The right to use the space at a designated distance below the surface of the land as for pipelines and storage facilities.

Supply and demand: A real estate principle that holds that price varies directly but not necessarily proportionately with demand and inversely but not necessarily proportionately with supply.

Surface easement: The right to use the surface of the land as for access and flowage.

Take: The acquisition of property.

Taking: The process of obtaining right of way by negotiation or through eminent domain to construct or support a project.

Temporary easement: An easement granted for a specific use for a limited time.

Title Insurance: Insurance against loss or damage resulting from defects or failure of title.

Title Opinion: An analysis and interpretation of a title search concerning present ownership, encumbrances, clouds on title, and other infirmities.

Title Report: A report showing the condition of title before a sale or loan transaction.

Title Search: An investigation of public records and documents to ascertain the history and present status of title to a property, including ownership, liens, charges, encumbrances, and other interests.

Topography: 1. Detailed graphic delineation on maps or charts of natural and artificial features of a place or region especially in a way to show their relative positions and elevations. 2. The configuration of a surface, including its relief and the position of its natural and artificial features.

Total operating expenses: The sum of all fixed and variable operating expenses and the replacement allowance cited in the appraiser's operating expense statement (The Dictionary of Real Estate Appraisal, 7th Edition).

Trade fixtures: Articles placed in or attached to rented buildings by a tenant to help carry out the trade or business of the tenant.

Under improvement: An improvement that is inadequate to develop the highest and best use of its site

Underlying fee owner: The owner of fee title to a parcel encumbered by an easement.

Undivided interest: The interest of a tenant in common.

Uneconomic remnant: A remainder property of little value or use; the parcel of real property in which the owner is left with an interest after the partial acquisition of the owner's property, and which the agency has determined has little or no value or utility to the owner.

Unencumbered: Free of liens and other encumbrances. (See Free and Clear).

Unimproved Land: Most commonly, land without buildings and/or land in its natural state.

Unit in Place Method: A method used in the cost approach to develop a cost estimate using the installed prices for the various building elements.

Unit Rule: In condemnation/expropriation appraisal, a valuation rule that deals with ownership interests and physical components. A property must be valued as a whole rather than by the sum of its various interests, or by the sum of its physical components.

Unity of title: 1) The tract or tracts of land that are under the beneficial control of a single individual or entity and have the same, or an integrated, highest and best use. 2) The rule, both in federal and state courts, that states that to be considered part of the remainder property, the property must be held by the condemnee under the same quality of ownership as that from which the taking occurs.

Unity of use: The rule, both in federal and state courts, that states that to be considered part of the remainder property, the property must be devoted to the same use as the parcel from which the taking is made.

Use value: The value a specific property has for a specific use.

Vacancy and collection loss: A deduction from the potential gross income to reflect a loss due to unrented space and credit loss.

Vacancy and bad debt allowance: A deduction from the potential gross income to reflect a loss due to unrented space and credit loss.

Valuation: The process of developing a value opinion.

Valuation process: A systematic procedure to address the client's valuation issue.

Valuation services: Services pertaining to aspects of property value
.

Value: The monetary worth of a property, good or service to buyers and sellers at a given time (The Dictionary of Real Estate Appraisal, 7th Edition).

Value after the taking: In condemnation/expropriation, the market value of the remainder property after a partial acquisition.

Value before the taking: In condemnation/expropriation, the market value of the entire property prior to an acquisition.

Workfile: Documentation necessary to support a Member's analyses, opinions and conclusions. Documentation may be in paper format, digital records, software programs, or a combination of these formats. (CUSPAP).

Yield capitalization: An income capitalization approach technique that converts an estimate of every year's income, over the holding period, and the reversion into value.

Yield method: An income approach technique that converts an estimate of every year's income, over the holding period and the reversion into value.

Yield or Discount Rate: a rate that discounts all projected cash flows (income less expenses) over the holding period.

Zoning: Public regulations that control, through police power, the use of real estate.

Zoning Bylaw: A law controlling the use of land and the improvements on the land.

Zoning Map: A map showing the community's zones of permitted uses under the zoning ordinance.

Zoning Variance: An authorized modification in the use of property that does not conform to the zoning ordinance for that specific location.

APPENDIX B

IRWA

Welcome to the International Right of Way Association's

Course 403
Easement Valuation

IRWA

Introductions

Who we are…
What we do…

Where we do it…

How long we've been doing it…

Our goals for the day...

Objectives

At the conclusion of the day, you will be able to...

- **Express an understanding of basic real estate concepts and terms as they relate to the valuation of easements**
- **Solve problems that apply the terminology and concepts to specific easement valuation scenarios**

Housekeeping

Schedule (1)

8:00 - 8:30	Introductions, Etc.
8:30 - 9:30	Property Rights and Other Terms
9:30 - 10:30	Basic Valuation Concepts and Definitions
10:45 - 12:15	Easement Valuation

Schedule (2)

1:15 - 2:15	Analysis of Easements
2:30 - 3:15	Easement Categories
3:15 - 4:00	Appraising Temporary and Other Easements
4:00 - 4:15	Summary and Review
4:15 - 5:00	Examination

IRWA

Real Property (1)

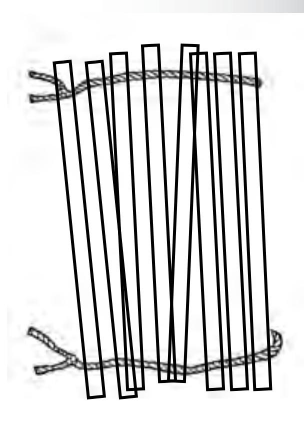
Real property is all the rights, interests and benefits inherent in the ownership of the real estate. It is the bundle of rights.

PPT-7

IRWA

Real Property (2)

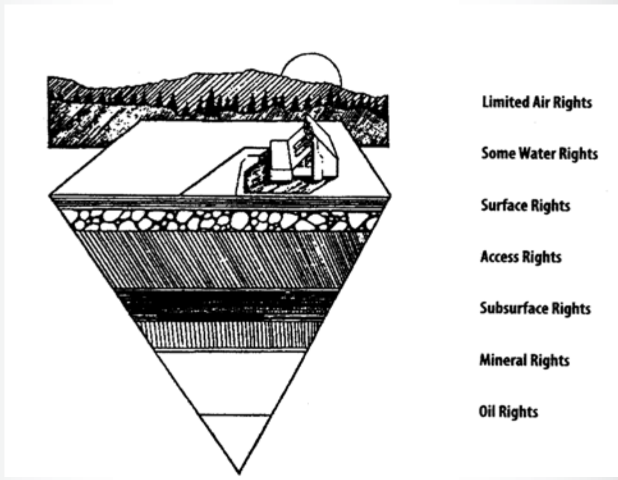
Real property is all the rights, interests and benefits inherent in the ownership of the real estate. It is the bundle of rights.



PPT-8

IRWA

Real Property Control



IRWA

Easement

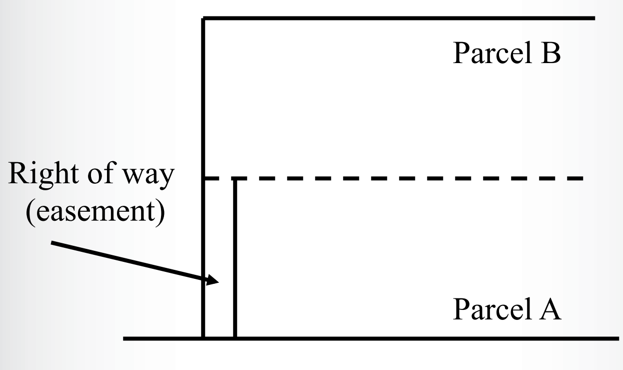
An *easement* is a non-possessory interest one has in the property of another for a specific purpose.

Estates

Dominant estate **is the property benefited by the easement.**

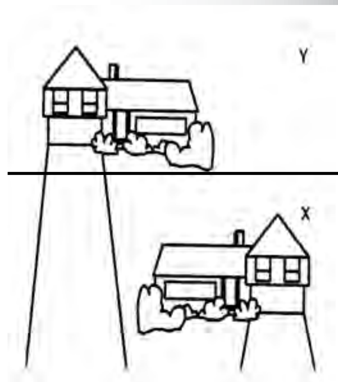
Servient estate **is the property burdened by the easement.**

Dominant and Servient Estates



Easement Appurtenant

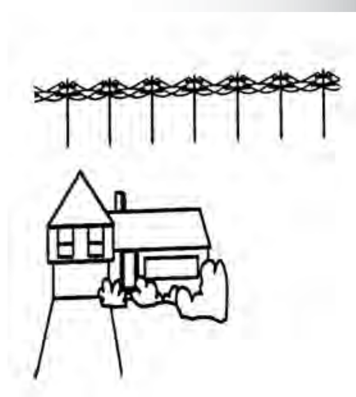
Easement Appurtenant is an easement for the benefit of another real estate parcel.



"Runs with the land."

Easement In Gross

Easement In Gross benefits a person or company, rather than another real estate parcel.



It may be personal or commercial.

Permanent and Temporary Easements

A *Permanent Easement* lasts forever.

A *Temporary Easement* is for a specific time.

Easement Creation (1)

- Express Grant
- Express Reservation or Exception
- Implication
- Prescription
- Statute

Easement Creation (2)

Express Grant

An easement set forth in a written document, which contains all the elements of a deed.

Easement Creation (3)

Express Reservation or Exception

An easement created with language “reserving” or “excepting” a specific easement in a conveyance.

Easement Creation (4)

Implication

An easement is created when a property owner severs property into two parcels in such a way that an already existing use of one parcel (as for access) is necessary for the use of the other parcel. The dividing of the property into two parcels implies the need for an easement.

Easement Creation (5)

Prescription

- An easement is created by occupancy.

- It must meet the tests of adverse possession.

Easement Creation (6)

Statute

Eminent domain (condemnation/ expropriation)

License, Lease, Right of Way

A *License* grants permission to another to allow for some act on a property.

A *Lease* is a contract transferring possession and use.

A *Right of way* is a right to pass over another's property.

Basic Valuation Concepts

- Only some of the property rights are being acquired.
- The extent of the property owner rights acquired helps determine the easement's impacts.
- The easement value is measured by what the property owner has lost NOT by what the condemnor has gained.
- All easement appraisals are partial acquisitions.

Larger Parcel

The property before the taking.

The "tests"

Contiguity

Unity of Title

Unity of Use

Highest and Best Use

The reasonably probable and legal use that is physically possible, appropriately supported and financially feasible and that results in the highest value.

Federal (Before and After) Rule

Before Value
-<u>After Value</u>
Compensation

Bayview Park Commission

Before Value: 400 acres x $300/acre	=	$120,000
After Value: 385 acres x $300/acre	=	$115,500
15 acres x $100/acre	=	$ 1,500
TOTAL	=	$117,000
Compensation:	=	$ 3,000

State (Summation) Rule

Value of the Part Taken + (Damages to the Remainder Property - Benefits to the Remainder Property [cannot be less than zero]) = Compensation

Just Compensation

The amount paid the property owner.

The theory is that in order to be "just," the property owner should be no richer or no poorer than before the taking.

Before Value

The value before the imposition of the easement.

The value of the larger parcel.

Great Meadow Ranch

Before Value: 1,500 acres x $1,225/acre = $1,837,500

Allocation:

Cropland: 300 acres x $1,250/acre	**= $ 375,000**
Citrus groves: 8 trees/acre x 250 acres x $600/tree	**= 1,200,000**
Alfalfa: 100 acres x $350/acre	**= 35,000**
Range land: 775 acres x $250/acre	**= 193,750**
Timberland: 75 acres x $400/acre	**= <u>30,000</u>**
TOTAL:	**= $1,833,750**

Value of the Part Taken

The value of the rights acquired within the easement area.

The Overshoe Regional Airport Authority

Before Value:
5 acres x $70,000/acre = $350,000

Value of the Park Taken:
5 acres x $25,000/acre
($70,000/acre - $45,000/acre) = $125,000

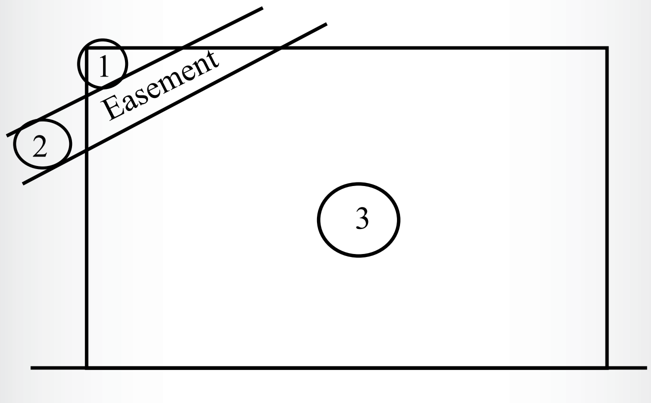
Remainders (The "3 Rs") (1)

Typically, a *Remnant* is an isolated, uneconomic area, which lies outside the easement area.

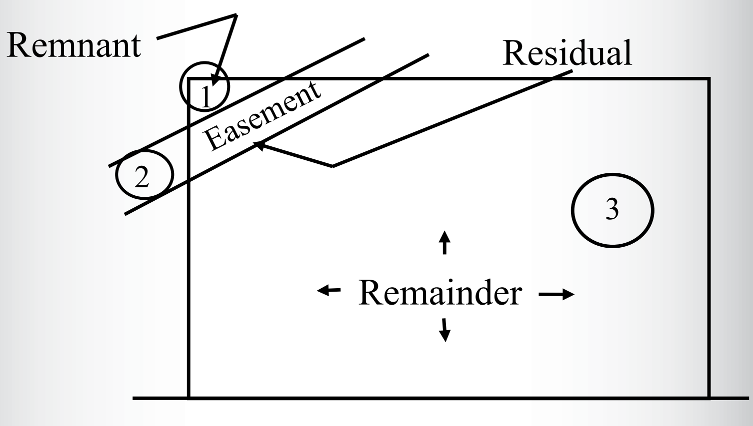
The *Residual* is the rights the property owner retains in the easement area after the imposition of the easement. Also may include any reversionary interests.

The *Remainder* is the area outside the easement area, which is not encumbered by the easement and is not a remnant.

Remainders (The "3 Rs") (2)



Remainders (The "3 Rs") (3)



Pattison Road Property (1)

Sale No, 1
\$275,500 ÷ 290 acres tillage = \$950/acre tillage
(without easement)

Sale No. 2

490 acres tillage (without easement) x \$950/acre	=	\$465,500
25 acres tillage (with easement) x \$380/acre	=	9,500
515 acres	=	\$475,000

Pattison Road Property (2)

Sale No, 3
\$33,750 ÷ 90 acres woodland = \$375/acre woodland
(without easement)

Sale No. 4

305 acres tillage (without easement) x \$375/acre	=	\$114,375
10 acres tillage (with easement) x \$75/acre	=	750
315 acres	=	\$115,125

Pattison Road Property (3)

Before Value:

300 acres (tillage)	x $950/acre	=	$285,000
115 acres (woodland)	x $375/acre	=	43,125
415 acres		=	$328,125

After Value:

290 acres (tillage)	x $950/acre	=	$275,500
10 acres (tillage)	x $380/acre	=	3,800
110 acres (woodland)	x $375/acre	=	41,250
5 acres (woodland)	x 75/acre	=	375
415 acres		=	$320,925

Compensation: = $ 7,200

Damages to the Remainder Property

The loss in value to the remainder property as a result of a partial acquisition.

Mrs. Brown's Property

The value of the part taken:

\$500 (\$50,000 ÷ 40,000 s.f. (200' x 200') = \$1.25/s.f. x 3,000 s.f. (200' x 15') x 10% = \$375 or \$500 (R).

Damages to the remainder property: \$10,000

Benefits to the Remainder Property

The increase in value to the remainder property as a result of a partial acquisition.

Cost to Cure

The cost to restore an item of physical deterioration or functional obsolescence to near new or new condition.

In eminent domain valuation, appraisers "test" the cost to cure against the damages to the remainder property.

Mrs. Brown's Property

Should the hedge be replaced? Yes

The compensation to the property owner is: $5,500. ($500 for the easement and $5,000 cost to cure).

Easement Information Sources

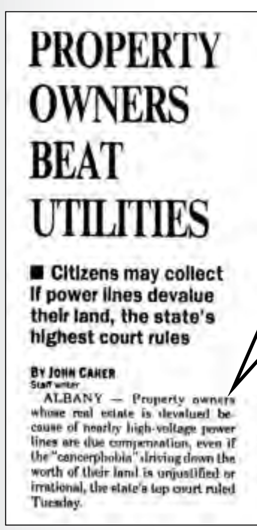
Easement Document

Statutes and Case Law

Custom and Usage

Market Perceptions

Market Perceptions



PROPERTY OWNERS BEAT UTILITIES

■ Citizens may collect if power lines devalue their land, the state's highest court rules

By JOHN CAHER
Staff writer

ALBANY — Property owners whose real estate is devalued because of nearby high-voltage power lines are due compensation, even if the "cancerphobia" driving down the worth of their land is unjustified or irrational, the state's top court ruled Tuesday.

"Property owners…are due compensation, even if the 'cancerphobia' driving down the worth of their land is unjustified or irrational…"

Estates

Dominant estate **is the property benefited by the easement.**

Servient estate **is the property burdened by the easement.**

The Car Wash (1)

The highest and best use prior to the easement is: Commercial (e.g. service station with car wash).

Before Value (land only):

40,000 s.f. x $15/s.f.	= $600,000

The highest and best use after the easement is: Commercial (e.g. service station).

After Value (land only):

39,000 s.f. x $10/s.f.	= $ 390,000
1,000 s.f. x $5/s.f.	= 5,000
	$ 395,000

The Car Wash (2)

The difference between the before land value and the after land value is: $205,000

Is this "just" compensation? Probably

The value of the part taken is:
1,000 s.f. x $7.50/s.f. = $7,500

The damages to the remainder property is:

39,000 s.f. x $5/s.f. ($15/s.f. - $10/s.f.)	= $195,000
1,000 s.f. x $2.50/s.f. ($7.50/s.f. - $5.00/s.f.)	= $ 2,500
Total:	= $197,500

Kennedy Acres (1)

Before Value:	
7 approved lots x $40,000/lot	= $280,000
After Value:	
6 approved lots x $40,000/lot	= $240,000
Less mitigation costs	
($2,500/lot x 2 lots)	= ($5,000)
	= $45,000

Kennedy Acres (2)

Compensation
$280,000 - $235,000 = $45,000

Why should the property owner be "forced" to mitigate a problem the owner had no involvement in causing? Why isn't the acquiring agency required to do it?

Easement Categories

Sub-surface easement: **The rights to use the underground portion of a property.**

Surface easement: **The rights to use the surface of a property.**

Overhead easement: **The rights to use the space, at a designated distance, above the property's surface.**

Inter-Urban Metro System (1)

Data Analysis

SALE	SALE PRICE	$ /s.f.	REMARKS
1	$15,675,000	$195/s.f.	No restrictions
2	$13,165,000	$177/s.f.	Ledge condition 30' below surface
3	$12,700,000	$205/s.f.	No restrictions
4	$19,000,000	$204/s.f.	No restrictions
5	$10,960,000	$174/s.f.	Subterranean rights owned by an adjacent property

Inter-Urban Metro System (2)

Before Value:

275' x 235' = 64,625 s.f. x $200/s.f. = $12,925,000

After Value:

275' x 235' = 64,625 s.f. x $175/s.f. = $11,309,375

Less additional development costs = (3,500,000)

$ 7,809,375

Compensation = $ 5,115,625

Metropolitan Transit Authority

Before Value:

Land and site Improvements:

5.3 acres x $400,000/acre	= $2,120,000	
Improvements:		
72,150 s.f. x $60.00/s.f.	= $4,329,000	
TOTAL		= $6,449,000

After Value:

Land and site improvements:

4.7 acres x $400,000/acre	= $1,880,000	
0.6 acres x nominal	= nominal	
Improvements:		
72,150 s.f. x $50.00/s.f.	= $3,607,500	
less cost to cure		
(220 spaces x $150/space)	= (33,000)	
TOTAL		= $5,454,500
Compensation		= $ 994,500

John Jones' Cornfield (1)

The loss in value for the easement area outside the tower sites:

7 acres – 0.9 acres (0.3 x 3) = 6.1 acres x $475/acre ($950/acre x 50%) = $2,897.50

The loss in value in the areas encumbered by the tower structures:

0.9 acres (0.3 x 3) x $800/acre ($950/acre - $150/acre) = $720.

The value of the part taken:

$2,897.50 + $720 = $3,617.50

John Jones' Cornfield (2)

The value of the residual land encumbered by the easement, including the tower structures:

6.1 acres x \$475/acre = \$2,897.50

0.9 acres x \$150/acre = \$ 135.00

\$ 3,032.50

John Jones' Cornfield (3)

The value of the part taken (using the income capitalization approach):

	Before Value:		After Value
Gross income	\$150/acre		\$150.00/acre
Expenses	\$ 65/acre		\$108.13/acre
Net income	\$ 85/acre		\$ 41.87/acre
Capitalization rate	9%		9%
Value/acre	\$944.44	\$465.22	

Indicated value loss: \$479.22 (\$944.44 - \$465.22) x 7 acres = \$3,355.

IRWA

Temporary Easement

A *Temporary Easement* is for a specific time.

IRWA

The Department of Transportation

One Possible Solution

The temporary easement rental value:

$250/month x 24 months x 2 acres	**= $12,000**
$15,000 lighting fixtures -	
$9,500 salvage value	**= $ 5,500**
TOTAL	**= $17,500**

Other thoughts?

The Truck Farm

The highest and best use of the subject property is in transition from truck farming to residential development.

Therefore: 3.5 acres x $6,000/acre x 11% x 3 years = $6,930.

or

3.5 acres x $6,000 = $21,000 x 11% = $2,310 annual income. Discounted at 11% for 3 years: $2,310 x 2.443715 = $5,645

Other Easement Types (1)

Slope Easement: an easement for cuts and fills.

Conservation Easement: an easement that limits future property use that is consistent with conservation or preservation.

Other Easement Types (2)

Scenic Easement: **an easement for conservation and development of roadside views and natural features.**

Flowage Easement: **an easement to flood, sometimes to a specific elevation, sometimes to specific times of the year.**

Motown Water District (1)

Before Value:	
Land and site improvements:	
9 acres x $20,000/acre	**= $ 180,000**
Improvements:	
20,000 s.f. x $50/s.f.	**= $1,000,000**
TOTAL	**= $1,180,000**

Motown Water District (2)

As this acquisition involves a cost to cure, it is necessary to "test" which of the two after values (cured or not cured) will determine compensation.

Motown Water District (3)

After Value (NOT CURED)	
Potential Gross Income:	
20,000 s.f. x $3.00/s.f.	**= $60,000**
Vacancy and Collection Loss	**= 0**
Effective Gross Income	**= $60,000**
Expenses (50%)	**= $30,000**
Net Operating Income	**= $30,000**
$30,000 ÷ .12 =	**$ 250,000**

IRWA

Motown Water District (4)

After Value (CURED)

Land and site improvements:

8.5 acres x $20,000/acre	= $ 170,000
0.5 acres x $15,000/acre	= $ 7,500
	= $ 177,500
Improvements:	
20,000 s.f. x $50/s.f.	= $1,000,000
Less cost to cure	= ($ 350,000)
TOTAL	= $ 827,500

PPT-67

IRWA

Motown Water District (5)

Before Value	= $1,180,000
After Value (NOT CURED)	= $250,000
After Value (CURED)	= $827,500
Compensation	= $ 352,500

PPT-68

The 12.7 Acre Parcel (1)

Before Value: 12.7 acres x $3,000/acre = $38,100

After Value: 12.7 acres x $1,500/acre = <u>$19,050</u>

Compensation: = $19,050

The 12.7 Acre Parcel (2)

Value of the part taken:

Before Value: 2 acres x $3,000/acre = $ 6,000

After Value: 2 acres x $1,500/acre = <u>$ 3,000</u>

Value of the part taken: = $ 3,000

Damages to the remainder:

10.7 acres x $1,500/acre = $16,050

IRWA

The County Acquisition (1)

Before Value:

30 acres x $25,000/acre	**= $750,000**
20 acres x $10,000/acre	**= <u>$200,000</u>**
TOTAL	**= $950,000**

PPT-71

IRWA

The County Acquisition (2)

After Value (NOT CURED):

20 acres x $25,000/acre	**= $500,000**
2 acres x nominal	**= nominal**
28 acres x $10,000/acre	**= $280,000**
TOTAL	**= $780,000**

After Value (CURED):

20 acres x $25,000/acre	**= $500,000**
2 acres x nominal	**= nominal**
20 acres x $10,000/acre	**= $200,000**
8 acres x $20,000/acre	**= $160,000**
Less cost to cure	**= ($95,000)**
TOTAL	**= $765,000**

PPT-72

The County Acquisition (3)

Before Value	= $950,000
After Value (NOT CURED)	= $780,000
After Value (CURED)	= $765,000
Compensation	= $170,000

Objectives

Right now, you should be able to...

- Express an understanding of basic real estate concepts and terms, as they relate to the valuation of easements.
- Solve problems that apply the terminology and concepts to specific easement valuation scenarios.

IRWA

Thank you!