

# Federal Agency View Given On Appraisal/Review Process

By G. B. Saunders

In this article, I want to discuss the Federal Highway Administration (FHWA) viewpoint regarding appraisal and appraisal review. I believe most State highway agencies will agree with the FHWA concept—at least in basic principle.

We believe that the appraisal/appraisal review functions are among the most important (if not the most important) in the property acquisition process. They set the stage for all that follows such as negotiations, property management and relocation. Not only can they affect subsequent events, but also, at least indirectly, they impact general and specific location and environmental considerations that can have a crucial effect on any project. Deviating somewhat from the main subject of this article, I want to stress that we advocate right-of-way involvement in the planning process. The significance of appraisal/appraisal review in this important area is only one way that right-of-way related expertise can and should be used. Frankly, I believe that there should be no reluctance to exploit this opportunity to actively demonstrate the value of existing right-of-way expertise.

Federal and State legislation requires the establishment of real property value by appraisal. In looking at the benefits of a multi-million dollar project designed to provide better transportation for the public in general, it is equally important to recognize the affects on individual property owners who must yield their property. Why should anyone think that an owner should surrender his right to occupy and enjoy property without at least the payment of just compensation or, if you prefer, fair market value? While I would agree that most people recognize and practice this ideal in the 1980s, such has not always been the case. We are aware of specific instances where this guarantee was violated. Further, if it were so firmly entrenched in our institutions, there would have been little necessity for the "Uniform Act" to include a "Title III."

It is the appraiser and reviewing appraiser functions upon which we rely heavily to initially insure that the property owner's legal right to payment of "just" compensation is not violated. Granted, the

assurance that just compensation will be paid for property is not the beginning and the end in overcoming the pains, anxiety, and frustration of many property owners. Money cannot solve all the problems associated with property acquisition. The talents of negotiators, relocation personnel, and administrators all play an important role in the overall process of minimizing the property owner's problems. Even the best talents of all, working in concert, will not always eliminate the very personal impact that goes with giving up property.

It is nevertheless our view that the appraisal and appraisal review process set the initial stage for all that follows. Good work done at this stage is critical to the public image. In my opinion, it is unrealistic to believe that property owners are unaware of property values to a point that they can be "snowed." The economic distresses that plague us all make any such idea highly improbable.

Our appraisal related requirements have been carefully considered and we believe they are reasonable and flexible. They also represent the expectations advocated by professional organizations. The fundamental test of any appraisal is the accuracy of the value estimate and explanation provided to support that estimate. Aside from a few simple administrative requirements, we fully endorse this concept with our regulations.

The States and the FHWA place particular significance on the importance of appraisal review. The value of this checkpoint in the valuation process cannot be overstated. We believe that this control is vital in ensuring that appraisals are properly documented both as to the value estimate and written explanation. Personnel who have the responsibility for performing this important function should be highly qualified in all aspects of appraisal technology. In the performance of the duties of this position, we recognize the need for the reviewer to have a great deal of flexibility and authority.

It can be said that the reviewing appraiser is the one to whom we look for establishing an agency's estimate of just compensation. We are not in agreement with those who believe the reviewer func-

tion amounts only to acceptance or approval of a submitted appraisal. Similarly, we do not believe the reviewer must approve a compromise amount which is the average of two or more submitted appraisals. Also, we do not believe that it is a reviewing appraiser's function to provide the justification for an administrative settlement. It is our opinion that the reviewing appraiser's role requires complete independence, if he or she is to do the job properly.

It is also worth noting that while we believe the reviewer should have maximum flexibility, we also believe that he must assume a great deal of responsibility for the final approved value estimate. If, for example, the reviewer arrives at an independent value estimate, different from a submitted appraisal, he or she effectively becomes the appraiser and is bound by the same documentation requirements that are imposed on the appraiser. The degree of explanation in such cases varies with the particular situation. Also, the extent of modification would be a determining factor in deciding if an objective analysis of the reviewer's estimate is warranted. Normally, when there is a wide variation between the appraiser and reviewer, the merits of securing an additional appraisal report should be considered.

In conclusion, I reiterate that this agency, as well as State highway agencies, places a great deal of importance on the appraisal and appraisal review functions as they are employed toward establishing just compensation. It may be that the level of significance we attribute to these functions goes beyond what other public and private organizations expect. Nevertheless, we have held this position since the late 1950s and believe that it has served the highway program well. We know of no better methods, regardless of philosophical differences that may exist. Further, we, as well as the State highway agencies, realize that the appraisal process is not the end. Rather, it is one important step, in a series relating to the overall property acquisition process, which can instill or dispel confidence by those affected. After all, they have the right to expect fair and equitable treatment.