

Appraisal Review to Meet FHWA Requirements



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Practical suggestions for the review appraiser, including a list of common appraisal shortcomings and how to avoid them.

Appraisal review is a simple and a complex task. This statement may not seem to make a great deal of sense; however there are two totally separate and distinct areas of review. The procedure or mechanics of checking a report for the contract content requirements (photograph, maps, sales, etc.) and the mathematics are as simple as 1, 2, 3. The task of analyzing the data in a report and making a recommended offer requires a great deal of appraisal knowledge and the ability to reason, understand, and make a decision. The Review Appraiser must be as well-trained and qualified to review a parcel appraisal, as the Appraiser is required to be to make the appraisal report.

The Review Appraiser's task is to insure that the appraisal reports turned in to the State are in compliance with the Federal and State's minimum requirements, whichever is more restrictive, and all laws. At the same time, the Reviewer, based on all of the available data, recommends the estimated fair market value offer to be made to the owner for the property and/or rights to be acquired.

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The Reviewer's task may seem somewhat of a conflict of interest. The Reviewer works for and is paid by the State and thus is expected to see that the State does not overpay for its required lands or property rights. On the other hand, he/she is also charged with the responsibility of making certain that the property owner is fairly treated and paid fully for everything being acquired from him based on State laws and regulations.

Thus, every effort must be made to insure that the fair market value is offered for the property and/or rights to be acquired. With market value being recommended, both the State and property owner are fairly treated and, therefore, there should be no conflict of interest.

One of the primary functions of the Review Appraiser for the State and Reviewer for FHWA is to insure that just compensation is offered to the property owner for the required rights.

If the Appraiser (Staff or Contract) could spend the time to follow the appraisal procedure point for point, was fully trained in State and FHWA procedures, and was well-qualified, the review process would be much simpler. On most projects, time is a major factor. The luxury of unlimited time for the appraisal process and review process is simply not available.

In an effort to have the reports meet all standards, each Appraiser is furnished a set

of sample appraisal forms, both the short and long forms, and also with copies of the Reviewer Check Sheet forms. Also annual meetings are held with the Appraiser to review general shortcomings. As part of each Contract with a Fee Appraiser is a suggested report outline.

In a further effort to insure a more effective and acceptable overall work product, joint meetings are held quarterly with FHWA and Department personnel. Such things as shortcomings, strong points, problems, etc. are discussed. Positive efforts are made by both groups to correct and/or eliminate any problems and to improve the work product and environment.

When the Appraiser follows the suggested format, he/she has fewer problems, and the State Reviewer has a much simpler and speedier review. By the same token, if the Reviewer follows the Check Sheet, has the Appraiser correct and/or explain any of the found deficiencies, makes an office and field review of and for all available data, and fully explains and documents the Review Sheet, very few citations are issued by FHWA Reviewer.

It is always a big help to know and have a good working relationship between the State Reviewer and the FHWA Reviewer. So many of the items in a report are a matter of opinion and/or interpretation. By working with the FHWA Reviewer, the Review Appraiser will learn some of his/her pet areas to question. The Review Appraiser, in turn, can make an extra effort to see that these items are well-explained and/or supported in the report or Review Sheet comments, along with the other important items. Working with the FHWA Reviewer does not mean letting him/her run your office. When the Review Appraiser has covered all of the bases and he/she feels that the recommended offer is correct, and the FHWA Reviewer does not have supported data for a different opinion, he/she must stand his/her ground, and the State Chief Appraiser will fully back and support the State Review Appraiser.

Some of the more common appraisal shortcomings along with suggested corrections are as follows:

Appraisal Procedure to be Used. Lack of explanation as to why an approach to value is used or why not used on improved properties. The main thing is to explain. If the market or income approaches are not applicable, give reasons why not. If the

reasons are logical, little more needs to be said.

Statement of Highest and Best Use. All Appraisers give a brief statement, but most need to explain why. A simple statement such as "The highest and best use of the property is residential because that is how it is being used" is not adequate. There must be some reasonable explanation such as the property is zoned (1-A) single family, and the zoning board indicates that rezoning is out of the question.

Cost Source. Lack of support or explanation. If a cost service is used, the name of the service is to be given along with the book, page, and type or class used. If a local builder is used, the builder's name, address,

and telephone number need to be given in the report.

Cost Depreciation. Far too often, the Appraiser uses age/life. The depreciation needs to be supported from the market using sales of improved properties where land values are supportable. If market data is not available, a reasonable and logical explanation will usually be accepted. Here again, this is not a one line explanation.

Value after the Taking. Our format gives this as a one-pager and thus the major problems. Many of the Appraisers simply do not do an appraisal of the after parcel, they try to do a one-pager. The Appraiser must do a full appraisal of the remainder, giving sales and adjustments, etc. Some of

the same weaknesses that were in the Before Appraisal show up here and need to be corrected in the same manner.

Analysis and Reasoning for Adjustments. Most are somewhat weak in explanation and support. From the market, paired sales are used to indicate an adjustment. The market should be used to support any adjustment. When there is no market data to support an adjustment, then a detailed, reasonable, and logical explanation will usually be accepted.

To sum it up, the Appraiser needs to support and/or explain. When support from the market cannot be obtained, then in most cases, a reasonable and detailed explanation will work. (IRMA)

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