# INTRODUCING THE **CORRIDOR VALUATION** BOOK

## An interview with Randy Williams, SR/WA

**BY ETHEL NAVALES**

### 1. Tell us about yourself and your IRWA career.

I have been a real estate appraiser since 1977 and hold the MAI and SR/WA designations. I retired (for the most part) at the end of 2018, although I am still active in the IRWA both in teaching and by being the International Relations Chair for 2019-2020. I also represent my employer JLL at various functions like IRWA's Annual International Education Conference. My IRWA career is approaching 35 years. During my career, I have served as a Chapter President, Region Chair and finally, I served as the International President of the Association in 2011-2012.

### 2. When did the idea of creating a book focused on presenting an overview and new alternatives to corridor valuation first come to mind?

It started four years ago at our Conference in San Diego. Bonnie Roerig, MAI, AI-GRS, was chairing the International Valuation Community of Practice. At the Valuation meeting, she discussed the idea of creating a book on Corridor Valuation. Scott Robinson, MAI, SRA, AI-GRS, AI-RRS, the Appraisal Institute President-Elect at the time, approached Bonnie after the meeting and expressed interest on partnering with us on this publication. At this same meeting, Bonnie asked for my opinion. I suggested we take up Scott on his offer and move forward with a steering committee. She agreed upon the condition that I too would serve on the steering committee.

### 3. What was the main purpose and goal behind the creation of this book?

Our main purpose was to add to the body of knowledge about valuing corridors. Corridors are very complex and there are multiple—and sometimes opposed—theories/techniques on valuation. Our goal was to present these multiple techniques as tools to understand valuing corridor properties. As such, the book does not place any technique over another.

Virtually any city of any size in North America has some kind of corridor within its territory, be it utility, rail or other. That means that not only appraisers, but also property agents will deal with a corridor issue sometime in their career. So we believe this publication is of value to every real estate department in every municipality and utility company. Research confirmed that a current text of this type was not available.

### 4.Describe the steps you took during this publishing process.

We initially formed a steering committee to decide the content and shape of the book. We were fortunate to have Richard Marchitelli, MAI—an appraiser with extensive corridor valuation experience—to chair the committee. We met face to face as a steering committee only one time. After that, we met electronically and by conference call. In the end, we outlined the topics necessary and produced a Request for Proposals (RFP) for authors.

We received a large number of proposals for the various chapters. All eight members of the steering committee

had extensive corridor valuation experience either in the USA or Canada. As such, we assigned three members to read and discuss each author's submission. If we agreed that the submission should be in the book, we wrote our critiques and asked for modifications or more detail in the writing. This was not a simple task as some submissions went outside the original scope of the book. In the end, we included several of these as they were useful in adding to the overall body of knowledge for corridor valuation and impact. The steering committee screened the content and the Appraisal Institute employed professional editors to complete the publication.

### 5. What were some of the biggest challenges you faced and how did you overcome them?

The initial challenge was to decide the depth and breadth of the book. We eventually decided that we would focus on valuation in the USA and Canada so we could provide value to our 10 regions. A USA-centric book would not serve a large number of our membership and a book attempting the encompass corridor theory around the world would have been so complex as to be unachievable.We also did not receive the amount of submissions we deemed necessary from our first RFP. We refocused the RFP, directing it to specific authors we believed would be useful contributors.

### 6. How was your experience partnering with the Appraisal Institute and the Appraisal Institute of Canada?

Partnering with the AI and the AIC was one of the most rewarding parts of this project. All three associations trust each other and work well together. The most complex part was that three associations would agree to share in a publication that furthers a body of knowledge. The Appraisal Institute has a vast amount of experience in publication, so we all agreed the AI would be the publishing entity. Tep Shea-Joyce, the Senior Manager of Publications with the AI, was a joy to work with. She and Richard Marchitelli shepherded us through a very complex process.

All three associations agreed we would equally share in the publication expense and income. As such, we were able to produce the book in a very cost-efficient manner. The USA authors supplied chapters that sometimes only apply to USA law. Similarly, our Canadian authors addressed issues more applicable to Canada. The AI and the AIC have let us know that the Corridor Book was a successful partnership and we have made a contribution to the body of knowledge about corridor valuation. I believe there is interest in additional projects in the future.

### 7. How can IRWA benefit from further partnerships with other organizations?

The IRWA has a focus on all components of infrastructure. We have property managers who could benefit from partnering with property managing associations such as BOMA (Building Owners and Management Association) and IREM (Institute of Real Estate Management). Similarly, our engineers and utility professionals will have other associations that cross over into other primary areas of expertise. Partnering with these organizations would expose them to our Association and our members.

### 8. Who should purchase this book and what will they gain from reading it?

Foremost, real estate appraisers are the primary target. This publication is also valuable to any entity that is involved with corridor matters. Additionally, municipalities and DOTs often deal with railroads when they need road or bridge crossings. Corridor valuation is a complex issue. This book allows insight into what makes a corridor valuable. Some corridors do not contribute value, so it is important to understand all of the factors. The book also has a chapter on "Rails-to-Trails" which is applicable to USA law. This is a different type of valuation and can easily be mishandled.

*Corridor Valuation: An Overview and New Alternatives* **(ISBN: 9781935328759) is a 240-page soft cover book. It is available for $50 for the print or PDF version, or $70 for both. Call 888-756-4624 or order online at www.appraisalinstitute.org.**

The following are two excerpts from *Corridor Valuation: An Overview and New Alternatives*. The first passage highlights the origins of corridor valuation techniques, while the second passage outlines conclusions made about corridor valuation issues since the turn of the 21st century.

The need for generally accepted techniques for the valuation of corridors emerged out of the development of the railroad industry in the Unites States in the nineteenth century. The railroad age in the United States began in 1830 with the first operation of a train by the recently formed Baltimore and Ohio (B&O) railroad company. By 1840 there were over 1,800 miles of railroad track in states east of the Mississippi. Trackage tripled during 1840s and tripled again in the 1850s to include lines that extended west of the Mississippi. These initial railroad trunk lines stitched together established commercial regions in the eastern United States and were assembled in various ways, frequently alongside existing canal rights of way and often via state-sponsored efforts to permit the linkage of interstate commerce.

With the enactment of the Pacific Railway Act of 1862 for the creation of a rail corridor across the Great Plains, the Rocky Mountains, and the Sierra Nevada mountains to California, the focus for the first time was on a publicly defined transportation and communication corridor. The act granted the legal rights to a right of way 200 feet wide on either side of the tracks, which was to be "one continuous line" and include "necessary grounds for stations, buildings, workshops, and depots, machine shops, switches, side tracks, turntables, and water stations." The legislation provided the right to string telegraph lines along the right of way as well. Various additional laws passed as supplements to the 1862 law enabled development of various spur lines, ancillary additions, and connections to the main line. The supplemental 1864 Act "required" the railroad companies to use the land grants as "one continuous line" for "all purposes of communication, travel, and transportation."

The implications of the Pacific Railway Act for the development of corridor valuation concepts was summarized in a 2012 *Appraisal Journal* article as follows:

> The 1862 Act recognized all land within the corridor, or right of way, was integral to transnational transportation and communication. It did not parse uses within the right of way but recognized one connected, continuous line, i.e., a corridor. In effect, the right of way or corridor established by the 1862 Act constitutes an integrated, multipurpose alignment of land uses principally related to transportation/communication, an intended use that had not effectually changed since its creation.

The continuing rapid expansion of the American railroad network in the 1870s and 1880s led to intense public concerns—especially by farmers and small businesses—about the monopoly position that the railroad industry had achieved in American commerce. In response, Congress created the Interstate Commerce Commission (the ICC) in 1887 to review and regulate the rates set by railroads. As a number of articles in *The Appraisal Journal* have noted, the first attempts to think systematically about the valuation of this rapidly expanding railroad corridor system emerged in the aftermath of the creation of the Interstate Commerce Commission. The result was the across-the-fence (ATF) method, the origin of which has been summarized in *The Appraisal Journal* as follows:

> Under the ICC's regulation, the railroads argue they should receive an adequate return on their investment. Therefore, the ICC developed a method for determining how much land was utilized for railroad and related purposes as well as its worth; that method, still in use today, is called the across the fence (ATF) method of real estate valuation.

Despite what appears to be a return to a debate about fundamental issues involved in corridor appraising, there are perhaps some things that the appraisal profession can agree on from the history of the development of corridor valuation techniques as expressed in the published literature of the profession. From the debate about corridor valuation issues and methods since 2000, the following becomes clear:

- The purpose of the corridor valuation assignment is crucial to a determination of the proper appraisal method or methods to be applied.

- Case law continues to drive the appraisal process, the selection of the appropriate valuation method, an understanding of the property rights involved in the appraisal assignment, and the applicability of such issues as definition of the larger parcel and how jurisdictional definitions of terms such as *market value, fair market value* or *just compensation* affect the appraisal assignment.

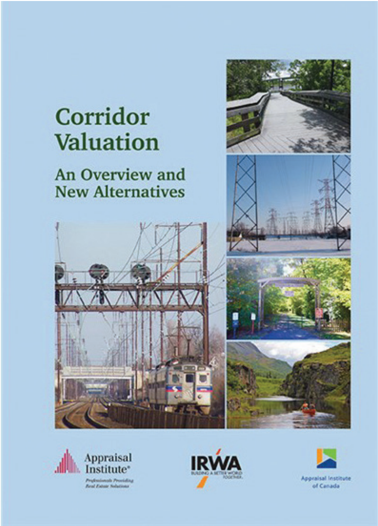
- ATF value is almost always a proper starting point in a corridor valuation assignment. However, it may not always be the most appropriate method given the purpose of the assignment. It may be only one among several methods (including estimation of net liquidation value) that the appraiser may need to address.

- The most appropriate valuation method or combination of methods depends in large part on the highest and best use of the corridor. Is the highest and best use continued use as a corridor? Or is the highest and best use abandonment and dismantling of the corridor in a liquidation?

- Data is now available from hundreds of corridor transactions all across the country that makes the possibility of the appropriate application of the sales comparison approach to the value of an entire corridor or portion of a corridor feasible in theory.

- Corridor sales transactions also allow calculations to determine if there is a "corridor" factor that should be considered when appraising an existing corridor for continued use.

- There have been thousands of negotiated "subservient easement" transactions involving fiber optic transmission lines, pipelines, and power line corridors in the past two decades, but accessing that data is often difficult due to confidentiality concerns.




The debate and discussion about corridor valuation issues and methods will go on. The purpose of the remaining chapters in this book is to add to that discussion.