PURPOSE

This manual change updates and/or revises specific areas of Appraisal Policies and General Requirements, Appraisal Preparation, and Excess Land Appraisals.

Where applicable, formatting was updated and general typographical errors were corrected.

PROCEDURES

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<td>Throughout Sections 7.01.00.00, 7.03.00.00, and 7.14.00.00</td>
<td>Changes references to Deputy District Director of Right of Way (DDC-R/W) and Region/District Right of Way Chief to Region/District Right of Way Manager (Region/District R/W Mgr.).</td>
</tr>
<tr>
<td>7.01.07.00</td>
<td>Changes reference to dual report to plural. Adds word “substantial” to construction contract work. Adds reference to dual report requirements for excess land dictated by S&amp;H Code Section 118.1.</td>
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<tr>
<td>7.01.15.00</td>
<td>Adds comments on qualifications of technical reviewer required by 49 CFR 24.103(d).</td>
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<td>7.01.18.00</td>
<td>Changes title of State licensed appraiser to “Certified General Real Estate Appraiser.”</td>
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<tr>
<td>7.01.21.00 - Table I</td>
<td>Changes Branch Chief/DDC to Region/District R/W Mgr.</td>
</tr>
<tr>
<td>7.01.21.00 - Table III</td>
<td>Changes Region/District Division Chief to Region/District Right of Way Manager.</td>
</tr>
<tr>
<td>Throughout 7.03.00.00</td>
<td>Changes title of Form RW 7-9 to Appraisal Summary, eliminates Page from the title.</td>
</tr>
<tr>
<td>7.03.04.01</td>
<td>Minor changes to wording of “Note.” Corrects Section 7.14.00.00 reference.</td>
</tr>
<tr>
<td>7.03.04.02</td>
<td>Reformats outline of government codes section. Adds sentence to clarify exception to requirement of preparing primary and alternate appraisals.</td>
</tr>
<tr>
<td>7.03.05.00</td>
<td>Changes title to Appraisal Summary and adds (RW 7-9) for clarification.</td>
</tr>
<tr>
<td>7.03.06.00</td>
<td>Changes “distributed” to “allocated,” expands explanation, and deletes “charges.”</td>
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Sections

| 7.14.01.03 | Strikes reference to defunct Airspace Advisory Committee. |
| 7.14.02.00 through 7.14.04.03 | Major reorganization and rewording of the sections describing the three types of excess land valuations/reports. References to required forms and exhibits have been added. Otherwise, content has not been changed with the exception of Sections 7.14.02.01 and 7.14.02.02. |
| 7.14.02.01 | URAR form report section was moved here. |
| 7.14.02.02 | Section has been altered to reflect the fact that dual Market Value Appraisals are no longer required for excess land parcels of $500,000+ proposed for direct sale to private parties. Paragraph has been reformatted. Adds the requirement that, per S&H Code, Section 118.1, dual appraisals of commercial property must be obtained under certain circumstances. |

Forms

| Form RW 7-9 | Changes title to Appraisal Summary. |
| Form RW 7-17A | Deletes hyphen in Market Value Determination. |

Exhibits

| Exhibit 7-EX-16 | Deletes hyphen in Market Value Determination. Replaces Region/District Division Chief Right of Way with Region/District Right of Way Manager. |

EFFECTIVE DATE

Immediately.

MANUAL IMPACT

- Remove the superseded pages and insert the attached pages in the Manual.
- Record the action on the Revision Record.

REVISION SUMMARY

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<td>Remove the following in its entirety:</td>
<td>Replace with the following in its entirety:</td>
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<td>7 - Sections</td>
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<td>Table of Contents (REV 3/2014) 7.01.00.00 (REV 3/2014) 7.03.00.00 (REV 3/2014) 7.14.00.00 (REV 3/2014)</td>
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# CHAPTER 7

## APPRAISALS

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7.01.01.00 General Overview

Article I, Section 19 of California Constitution states “Private property may be taken or damaged for public use only when just compensation, ascertained by a jury unless waived, has first been paid to, or into court for, the owner.”

7.01.01.01 Definition of Market Value

The measure of “just compensation” is “market value.” Section 1263.320 of the Code of Civil Procedure defines market value as:

“(a) The fair market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

“(b) The fair market value of property taken for which there is no relevant, comparable market is its value on the date of valuation as determined by any method of valuation that is just and equitable.”

A just and equitable method of determining the value of nonprofit, special use property as defined, for which there is no relevant, comparable market is:

“The cost of purchasing land and the reasonable cost of making it suitable for the conduct of the same nonprofit, special use, together with the cost of constructing similar improvements.”

This method of valuation pertains only to those properties where all of the following apply:

1. Operated for a special nonprofit use such as a school, church, cemetery, hospital or a similar property.
2. Tax-exempt.
3. Not owned by a public entity.
4. There is no relevant, comparable market.

See Section 7.04.13.00 for further details.

7.01.01.02 Necessity for Appraisal

An appraisal is necessary to ensure compliance with the Constitution in arriving at a conclusion of just compensation. The basic document in all appraisals is the Appraisal Report. It contains the appraiser’s estimate of fair market value and all data and narrative necessary to support the appraiser’s conclusions.
An approved report is generally required for acquisition, property management, relocation assistance and record purposes. It is of critical importance to further Right of Way activity. It must be complete and reliable in all its contents.

The report will be a summary of basic information and conclusions together with pertinent support. It shall contain information about the properties and general aspects of the entire project. Additional backup information such as detailed improvement descriptions and plans, additional photographs, bids, detailed cost studies, interview records, additional comparable data, utility relocation studies, etc., should be maintained until acquisition is complete and the files are no longer necessary for record, testimony, or RAP purposes.

7.01.02.00 Appraisal Report Not Required

When the Region/District determines that the valuation problem is uncomplicated and the fair market value is estimated at $10,000 or less, based on a review of available data, a report is not necessary. The $10,000 amount includes severance damages but excludes any nonsubstantial construction contract work. Authority to waive the appraisal is provided for in Federal Regulation [49 CFR 24.102(c)(2)]. Authority to make this determination rests with the Region/District Right of Way Manager (Region/District R/W Mgr.), who may delegate it. The documentation required is the “Waiver Valuation.” (See Section 7.02.13.00.) The Waiver Valuation cannot be used as a basis for deposit when obtaining an Order for Possession.

7.01.03.00 Uniform Relocation Assistance and Acquisition Policies Acts

Both the Federal and State Uniform Relocation Assistance and Real Property Acquisition Policies Acts contain basic requirements for the appraisal of real property for public project purposes. These basic requirements are quite similar, and therefore apply to all projects. Appraisals are to be prepared according to these requirements, which are intended to be consistent with the Uniform Standards of Professional Appraisal Practice (USPAP).

49 CFR 24.1, 24.101, 24.102, 24.103, and 24.104 set forth these basic requirements.

7.01.04.00 Standards

The appraiser will thoroughly investigate and consider every material fact regarding the market value of the appraised property. Every effort will be made to interview the property owners and to secure factual information on the subject property sales, costs, alterations, income and expense data, age, etc. The subject properties and comparable data shall be viewed in the field and all improvements to be appraised shall be carefully inspected. The appraiser should refrain from furnishing detailed information regarding valuation, time schedule or construction items. At the appraisal stage, such information is usually incomplete and subject to change.

7.01.04.01 Appraiser Qualifications

The Associate Right of Way Agent is considered the staff appraiser for routine to complex eminent domain real property appraisals not involving Federally insured financial lending institutions. Staff appraisers (Associate Right of Way Agent) are not additionally required to be licensed by any other State agency having real property appraisal oversight. Ranges A and B Right of Way Agents are considered the staff appraiser when the work product is directly supervised by and cosigned by an Associate Right of Way Agent.
7.01.04.02 Jurisdictional Exception

The USPAP Jurisdictional Exception Rule allows for deviation from the USPAP Rules and Standards where Federal and/or State laws or regulations are in conflict. The State appraiser can follow the requirements set forth by the Uniform Relocation Assistance and Acquisition Policies Act in the Code of Federal Regulations and the California Code of Civil Procedures and retain compliance with USPAP. Examples of conflict are: 1) The definition of Fair Market Value. USPAP states “the most probable price” and the California Code of Civil Procedure states “the highest price.” 2) USPAP states when analyzing public or private improvements, the appraiser “must analyze the effect on value of such anticipated improvements to the extent they are reflected in the market.” CFR 24.103 prohibits including project influence in the determination of value. 3) USPAP states the appraiser analyze all transactions of the property prior to three (3) years of the Date of Value. CFR 24.103 states the appraiser analyze all sales prior to five (5) years of the Date of Value.

7.01.05.00 Separation of Appraisal and Acquisition Functions

The Department of Transportation (Department) maintains a separation of the appraisal and acquisition functions, except that, the same person can appraise and negotiate a parcel if total valuation, excluding nonsubstantial construction contract work, is $10,000 or less. This dollar limit also applies to revisions where the appraiser was previously assigned to negotiate the parcel. The valuation document can be either an appraisal or Waiver Valuation as discussed in 7.01.02.00 above.

When the same person prepares the appraisal and does the acquisition, the Certificate of Appraiser must be revised from the standard Certificate. It should contain a statement substantially as follows: “That I understand that I may be assigned as the Acquisition Agent for one or more parcels contained in this report but this has not affected my professional judgment nor influenced my opinion of value.”

Members or candidates of professional appraisal organizations who are assigned to act in the dual capacity of appraiser and acquisition agent should check their organization’s code of ethics for specific prohibitions and disclosure requirements.

7.01.06.00 Prerequisites for “Preliminary Right of Way”

Right of Way Planning and Management is the lead right of way function concerning prerequisites for commencement of all “preliminary engineering” activities, “preliminary right of way” activities, and “regular right of way” activities. See Chapter 3.

Preliminary Right of Way is defined as those Right of Way activities that occur after:

A. The project is programmed or lump sum funded. (Activities are typically charged as Right of Way support to the project’s Phase 2 expenditure authorization.)

B. Budgeted spending has occurred.

1. The project is in the current approved Right of Way Capital Plan or in the proposed Right of Way Capital Plan for the budget year.
2. Other Entity Funding is secured. The source of funding is in accordance with the terms of a Cooperative Agreement with a Local Public Agency, if applicable.
The Preliminary Right of Way Activities are:

1. Ordering Title Reports.
2. Preparing Base Maps.
4. Conducting project-wide comparable sales searches once a preferred alternate is internally selected.

In addition, the preferred alternate must be made public in some manner, e.g., newspaper announcement, distribution of the final environmental document, or the like, before the following activities can take place.

5. Assigning appraisers to specific parcels.
6. Contacting the property owners to commence appraisal activity (i.e., sending the Notice of Decision to Appraise).
7. Completing the appraisal.

These prerequisites do not apply to hardship and protection appraisals.

One of the main reasons that project appraisals should not normally be completed far in advance of the environmental clearance on regular right of way acquisition parcels is to avoid their being outdated before offers can be made. If the appraisal must be updated because of a delay in receipt of the environmental clearance, support required to produce the second appraisal is not eligible for federal participation. In addition, appraisals of partial acquisitions should not commence prior to the receipt of appraisal maps.

Final environmental clearance is a prerequisite to commencing regular right of way acquisition. The exception to this rule is when “early acquisition” is approved. See the Early Acquisition Guidelines (Reference 3-EX-6). Appraisal support costs may or may not qualify for federal aid. PA&ED plus E-76 approval is the point at which parcel specific right of way support costs become eligible for federal aid on a federally eligible project.

7.01.07.00 Dual Report Requirements

The District may determine that dual reports are needed to ensure the owner receives a fair market value offer. Duals should be considered for unusually large or complicated parcels or parcels exceeding $500,000 in value. This amount includes improvements pertaining to realty, severance damages, and substantial construction contract work.

The following are items to consider in determining which parcels may require dual reports:

- There is a serious question as to highest and best use.
- Market data is inconclusive because of its scarcity and/or absence of established patterns and value conclusions must, therefore, be based primarily on opinion.
- There are substantial improvements not compatible with the highest and best use of the land. In other words, there is a high degree of economic obsolescence.
• A significant portion of the appraised value is severance damages or there is a substantial question regarding damages or benefits.

• The value of the land is primarily on a development-analysis approach, or there is reliance on a specific plan of proposed development.

Dual reports shall be separate, and fully independent in calculations, analysis and conclusions. This will give a better basis for determining market value and help ensure a sound offer. The appraisers and their Region/District supervisors are responsible for maintaining the fact, spirit and appearance of this independence.

For dual report requirements pertaining to the direct sale of excess commercial property pursuant to S&H Code Section 118.1, refer to Excess Land Appraisals 7.14.02.02.

7.01.08.00 Donations

Anticipated donations must first be appraised unless the following apply:

A. The donation is initiated by the owner, and

B. The owner, after being informed of the right to receive just compensation, provides the Region/District with a signed statement or letter waiving said right to receive just compensation and releasing the State from its obligation to appraise the property.

If an owner provides a signed statement or letter waiving just compensation but requesting an appraisal, the Notice of Decision to Appraise is not required.

In the past, IRS has indicated that staff appraisers may not be used to appraise donations in excess of $5,000 which are to be claimed as charitable contributions for Federal tax purposes. The owner should be advised to check with a tax consultant, IRS and/or the Franchise Tax Board if this or other questions of tax implications arise.

Donations may be used as matching fund credit to a Local Agency. This can apply on selected route segments where a local agency is required to match State right of way protection expenditures. The donation must be appraised to establish the contributory value to be credited to the local agency.

7.01.08.01 Credit Toward State’s Matching Share

Section 146(a) of the Surface Transportation and Uniform Relocation Assistance Act of 1987 provides that the fair market value of land lawfully donated after April 2, 1987, and incorporated into the project, may be used as credit toward the State’s matching share for a Federal-aid highway project. No credit can be allowed for any amount negotiated with the owner which exceeds the appraised fair market value. The credit applies only to bona fide donations. It does not apply to dedications. The fair market value shall be established by an appraisal made in conformity with the provisions of 49 CFR 24.103 and 24.104, subject to the following conditions:

A. Increases and decreases in the value of the donated property caused by the project are to be excluded.

B. The appraisal shall not reflect damages or benefits to remaining property.
C. The fair market value shall be established as of the date the donation becomes effective or when equitable title vests in the State, whichever is earlier.

Donated land must be incorporated into the project to be eligible for credit purposes. Donations made by a Federal, or a State government agency are not eligible for project credit purposes. A contribution by a unit of local government of real property which is offered for credit, in connection with a project eligible for assistance under this title, shall be credited against the State share of the project at fair market value of the real property. Property may also be presented for project use with the understanding that no credit for its use is sought. Right of Way shall assure that the acquisition satisfied the conditions in 23 CFR 710.501(b) and the documentation justifies the amount of the credit.

All appraisals involving donations for credit to State matching funds must otherwise meet the same standards as normal acquisition appraisals. See Chapter 8 for further information related to Acquisition.

7.01.09.00 Dedications

Legal considerations concerning the appraisal of property having future street requirements as of the date of value are summarized in this Manual section. Legal considerations are not to be confused with factual determinations which are to be made in every instance by the appraiser. The problem of appraising property with future street requirements arises where the property is located in such manner that in order to comply with the master plan of streets or the master plan of zoning, additional street areas will be required to be dedicated and improved in the reasonable near future as of the date of valuation for the purposes of the appraisal. These properties generally fall into four categories:

A. Those already improved to their highest and best use.

The property that is already enjoying the highest and best use and the street requirement, while considered, must be assumed to not affect valuation. The local governmental body could apply no valid pressure on the owner to force a dedication in view of the fact that he is already enjoying the highest and best use of his property. If the street were to be widened, the local governing body would be required to condemn the necessary area. Therefore, this property should be paid for at its full market value under its highest and best use.

B. Those already zoned to their highest and best use.

Generally, a dedication requirement arises as a condition for a change of zone. If that is the only requirement of the local governing body, then the conclusions under Category A would be followed. However, a significant number of local governmental entities have adopted building permit requirements, as opposed to zone change requirements, which impose dedication requirements as a condition for obtaining a building permit. If the property is found in such a political entity, then the conclusion under Category C would be followed.
C. Those not zoned or improved to their highest and best use.

Since the required street area would have to be dedicated before the property could achieve its zoning or building permit for highest and best use, the area so required would be of only nominal value. In this instance, the value of the area to be dedicated is reflected in the higher unit value of the remaining property which is generated by such dedication. It follows then that the average unit value theory could not apply and the nominal value theory would be used. In any event, if the appraiser finds that by reason of the local agency’s governing provisions the land probably will never be used for street purposes, he should take that into consideration in forming his opinion of value.

D. Those properties which would fall within Category C, except for the fact that there is an interim use of some significant time period before the ultimate highest and best use ripens.

The area to be dedicated would have the same unit value as generated upon either the whole property or the remaining property by the interim use, assuming, of course, that the time of the interim use and the value of the interim use were of such significance as to affect the appraiser’s ultimate conclusions of value.

In the same category where the parcel has already ripened to a higher and better use but is improved with a lesser though significant and valuable use which would fall within the definition of an interim use, the determination of value in this case would, of course, be an appraisal problem.

In all of these instances, the future requirement of street dedication with the ultimate improvement of the street for city or county standards must be considered by the appraiser.

7.01.10.00 Notice of Decision to Appraise

The appraiser must advise the property owner of the State’s decision to appraise the property. The notice must be in writing and cover the following:

A. A specific area is being considered for a particular public use, i.e., the project;

B. The owner’s property is located within the project area; and

C. All or a portion of the owner’s property (which should be generally described) may be acquired for public use.

The letter will offer the owner (or the owner’s representative) the opportunity to accompany the appraiser on an inspection of the property. It will give reasonable advance notice. There is no mandatory format for the notice; however, see Exhibit 7-EX-17 for a suggested format.

Enclosed with the letter to the owner will be the following:

A. Written explanation of the Department’s land-acquisition procedures. The booklet “Your Property, Your Transportation Project” will satisfy this requirement; and
B. A Title VI brochure and other required items listed in R/W Manual Chapter 2, Section 2.04.01.02.

The Notice and acquisition procedure explanations may be modified as necessary when doing contract appraisal work for other agencies, when the property owner is a governmental agency, etc. Governmental agencies are entitled to written notice, etc., just like a private property owner; however, judgment should be used as to the need to send complete notices and packages to the same agency time after time.

7.01.11.00 Parcel Diary

The appraiser will initiate the Parcel Diary Form RW 7-1 for each ownership. The appraiser shall include all required information covered in the instructions. The form should be initiated by an appropriate entry indicating the date the parcel is assigned for purposes of preparing an appraisal, together with entries documenting parcel data. The parcel diary is an internal document to be forwarded with the appraisal for review and kept in the parcel file for documentation.

7.01.12.00 Responsibility for Providing RAP Information

The Appraisal Branch is responsible for the following:

A. The Appraiser, when asked, shall give accurate, basic relocation information to all potential displaced persons who are encountered during the appraisal process.

B. Pursuant to Federal regulations, the RAP Branch is required to advise potential displacees of their possible RAP benefits as soon as the occupants are identified. The Code of Federal Regulations also requires each business to be interviewed by the RAP Agent prior to the initiation of negotiations. The appraiser is usually the first contact a potential displaced person has with the Department. When an appraisal (primary or alternate) indicates a displacement of people, businesses, and/or personal property, the appraiser is to complete the Parcel Occupancy Data Form RW 7-2 at the time of the first meeting or contact with the owner. This is true whether the displacement would result from the taking of right of way or from the effect of the taking on the remainder. Note that a displacement may occur even though there are no severance damages to the real property (a “consequential” displacement). This form may be modified to cover a residential or business only displacement. The RAP Agent may accompany the appraiser during the inspection of the subject.

The Parcel Occupancy Data Form is an internal document; as such, it does not go forward with the appraisal. The appraiser is to forward the Parcel Occupancy Data Form to the Region/District RAP Branch at the earliest possible date and note in the Parcel Diary the date it was forwarded. The RAP Branch will then provide general relocation assistance information to all potential displacees listed. The RAP Branch will send the Title VI (Civil Rights) Survey form and a Title VI brochure to all known tenants.

The appraiser must immediately notify the appropriate branch (RAP, Acquisition, etc.) and make a parcel diary entry, of information which may affect the displaced person’s eligibility for RAP benefits (i.e., the knowledge that an occupant intends to move prior to the date of the first written offer).
C. Where the appraisal of commercial, industrial, or other properties includes machinery, equipment, fixtures, and/or improvements pertaining to the realty, the appraiser shall, as part of the appraisal report:

1. Itemize for identification: machinery, equipment, and fixtures which are considered realty, as well as those items determined to be Improvements Pertaining to the Realty (see Sec. 1263.205 of the Eminent Domain Law). RAP will not pay for the relocation of realty.

2. To the extent possible, determine the ownership or claims to ownership of the listed items as between the fee owner and tenants or lessees.

D. If the primary or alternate appraisal indicates occupied improvements will be acquired or may be acquired as uneconomic remnants (in the market or to the owner), then the State is usually obligated to provide relocation assistance to the habitants (residential or business). In questionable situations, the appraiser shall discuss the situation with the Region/District’s RAP Branch.

E. Actual and Economic Rental Rates (see Section 7.03.08.00, “Rental Rates”) - Economic rental rates for all improved properties will be shown in the fair market value appraisal.

7.01.13.00 Legal Opinions

All appraisals shall consider legal problems involved in the appraisal procedure. Care must be exercised to see they are clearly defined and resolved. The Region/District should consult with the Legal Division, normally through HQ R/W, when such problems are first encountered. The Region/District may request a legal opinion directly from a local office of the Legal Division generally where an interpretation of a condition or situation is involved.

Any legal opinions involved in the appraisal process shall be documented in the report. It may be desirable to secure legal opinions on such questions as benefits, compensable damages, extent of larger parcel, personalty versus realty, valuation of dedications, etc. Strictly adhering to this policy will result in minimum loss of time for Region/District personnel and the State’s attorneys.

7.01.14.00 Responsibility for Preparation

Appraisals will only be made by qualified appraisers. Field work and composition will be accomplished by or under the direct supervision of a Right of Way Agent of at least Associate grade. The agent assisting in the preparation will, at the Region/Districts’ option, sign the Title Page and/or a Certificate of Appraiser as discussed in Section 7.02.03.00, E. The appraiser shall personally conduct the inspection of the subject and comparable properties.

7.01.15.00 Appraisal Review

All appraisals are reviewed to:

1. Ensure that the appraiser’s documentation, including valuation data and the analysis of that data, demonstrates the soundness of the appraiser’s opinion of value and that the appraisal report conforms to the requirements of this Chapter and established appraisal practices.
2. Ensure that the appraised amount is equitable and represents a proper amount for the offer of just compensation in accordance with the Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970 and Government Code 7260 et seq.

Both the cumulative review and review appraiser process are recognized and acceptable methods for determining the adequacy and appropriateness of the appraisal report being reviewed to ensure that it is based on sound appraisal theory and contains appropriate documentation to support the appraisers’ conclusions. Both methods will also accomplish the requirement that the approved appraisal represents the fair market value of the property and represents a proper amount for the offer of just compensation.

Definitions

Administrative Review - A review performed as a due diligence function in the context of making a business decision. The review will consist of ensuring the appraisal contains the proper forms, is in proper sequence, and the arithmetic is correct. The administrative review is usually less detailed than a technical review, and the administrative reviewer does not render an opinion as to adequacy of the opinion of value.

Technical Review - Review performed for the purpose of forming an opinion as to whether the analyses, opinions and conclusions in the appraisal report under review are appropriate and reasonable and that the appraisal complies with the Uniform Act, Government Code 7260 et seq., the requirements of this Chapter, and established appraisal practices.

The technical reviewer, both the review appraiser and the cumulative review appraiser, must have the necessary appraisal knowledge, experience and formal education to satisfy the requirements of 49 CFR 24.103(d). The qualifications of the review appraiser and cumulative review appraiser must be consistent with the scope of work for the appraisal assignment. The qualifications must meet the appraisal related criteria of the Senior Right of Way Agent classification (as defined by the California State Personnel Board and internal district duty statements) and must be based on formal appraisal education such as the courses listed on the Division of Right of Way Recommended Course List.

7.01.15.01 Cumulative Review Concept

The cumulative review process used by the Department requires that the appraiser’s supervising senior will conduct a technical review and approve or recommend for approval the appraisal report. If the supervising senior is not authorized to approve the appraisal report, it will be submitted for approval to the Supervising Right of Way Agent (Branch Chief), Region/District Right of Way Manager, or HQ R/W in accordance with the current delegations. A flow chart outlining the typical steps in the cumulative review process is shown as Table I in Section 7.01.21.00.

There are limited instances where the Review Appraiser concept and its implementation are available to the staff reviewing appraiser. See Section 7.01.15.02.

7.01.15.02 Review Appraiser Concept

The review appraiser is a unique position whose responsibility includes ensuring that appraisals under review are based on sound appraisal theory and contain appropriate documentation to support the conclusion of fair market value consistent with requirements of 7.01.15.00. As part of this responsibility, the review appraiser can reject an appraisal that does not meet the test of an adequate appraisal product and if unable to resolve the differences with the appraiser, require a new appraisal be prepared.

Consistent with current delegations, the review appraiser will conduct a technical review and will have the authority to approve all appraisals over $10,000.
Since the review appraiser is the only individual reviewing and approving the appraisal report, it is imperative that the review appraiser have a solid appraisal background. This will include education and experience in preparing a wide variety of appraisals including part-take appraisals with severance damages and/or benefits analysis. At a minimum, the review appraiser should be a Senior Right of Way Agent and report directly to the Region/District Right of Way Manager.

In limited instances, this concept and its implementation are available to the cumulative review appraiser.

This process may be used when an independent fee appraiser is employed to prepare a single-acquisition report or, in rare instances, on a staff appraisal. This situation may also be encountered when a local agency hires a fee appraiser, and the Department provides appraisal review and approval services.

When the review appraiser finds the report lacking in content, support, reasoning, or conclusion, the reviewer may elect to assume the capacity of review appraiser and supplement the areas considered lacking, including modifying the appraised value. This would be accomplished by written memorandum clearly delineating the areas in question and providing full support and documentation for the reviewer’s conclusions. Approval requirements will be in accordance with existing delegations.

7.01.16.00  Review Appraiser Process

A flow chart outlining the typical steps in the review appraisal process is shown as Table II in Section 7.01.21.00.

A. Roles and Responsibilities of A Review Appraiser.

To better define the role and responsibilities of a review appraiser, a Review Appraiser Task/Duties is included as Table III in Section 7.01.21.00. While some of the tasks may be discretionary, the table provides the basis for the expectations of the duties to be performed by a review appraiser.

B. Approval Certificate

In conjunction with the approval of the appraisal, the review appraiser will sign the Review Appraiser Certificate, Exhibit 7-EX-24D, and Appraisal Title Page - Review Appraiser, Exhibit 7-EX-21B.

C. Dual Report Process

The current process for dual reports as stated in 7.01.07.00 remains the same. The review appraiser duties regarding dual reports are as follows:

- Review and concur with all requests for waiver of dual reports prior to submitting the request to the Region/District Right of Way Manager.
• When dual reports are prepared, the review appraiser will perform a technical review of both reports and recommend both reports to HQ R/W for approval.

The review appraiser’s recommending approval of both reports is not a recommendation of two separate fair market values. Rather it is an indication that both reports are based on sound appraisal theory and contain appropriate documentation to support the appraisers’ conclusions. See Section 7.02.09.02 for an additional discussion on resolving significant judgmental differences between the two reports.

Only the approved appraisal will be provided to the Grantor. The second report will be stamped “Reviewed for Documentation” and kept in the office files.

D. Role of Supervising Senior in the Review Appraiser Concept

Although the supervising senior will not be approving and/or recommending for approval the appraisals produced by their unit, they need to have a good understanding of appraisal theory and practice. In this context, the supervising senior will:

• Make appraisal assignments.
• Track progress of appraisals.
• Provide staff the necessary guidance and training.
• Assure consistency in application of data and valuations, particularly between different appraisers who are preparing appraisals in the same area.
• Make an administrative review of the appraisal for accuracy, adequacy of documentation, and consistency in the application of data and valuation prior to submitting the appraisal to the review appraiser for approval. This administrative review is not considered a review for purposes of approving the appraised value nor is it a first step in the cumulative review process. Rather it is a review for form and content to ensure that the appraisal product is complete and contains appropriate documentation to support the appraiser’s opinion. Upon completion of the administrative review, the supervising senior will complete the Appraisal Checklist, Exhibit 7-EX-22, and sign a certificate indicating an administrative review of the appraisal for form and content has been completed. Exhibit 7-EX-23 is a suggested format for the transmittal letter.
• Assist the appraisers in responding to the Review Appraiser’s concerns.

7.01.16.01 Minor Deficiencies

Minor deficiencies are deficiencies that do not affect the value, but should be corrected prior to approval. They include:

1. Mathematical errors not affecting the value conclusion
2. Project identification data
3. Parcel numbers
4. Typographical errors which could lead the reader to an erroneous conclusion. Location, zoning, or present use of either the subject property or of comparable sales, if not a major deficiency (i.e., one which affects value)
5. Other minor deficiencies not affecting value

In the case of minor deficiencies in the appraisal report, the review appraiser can either request the appraiser correct the deficiencies or make the changes to the report. Any changes made by the review appraiser should be initialed and dated and the appraiser notified of the changes.
7.01.16.02 Major Deficiencies

Major deficiencies are deficiencies that affect the value conclusion and, unless corrected, will result in a rejection of the appraisal report. They include:

1. Highest and best use analysis
2. Insufficient analysis, reasoning, and erroneous conclusions
3. Errors in valuation
4. Analysis that mislead the user of the report
5. Nonadherence to the requirements of this Chapter
6. Other deficiencies that will cause the report to be rejected

When the review appraiser finds that a report contains major deficiencies, the review appraiser should immediately notify the appraiser and supervising senior, preferably in writing, stating the deficiencies and/or need for clarification. If the review appraiser is unable to resolve the deficiencies, the review appraiser will reject the appraisal and request a new appraisal or prepare a Reviewer’s Appraisal Report.

A. Appraisal Rejection

When an appraisal is rejected, the review appraiser prepares a memorandum to the Supervising Right of Way Agent (Appraisal Branch Chief) with a copy to the Region/District Right of Way Manager and supervising senior stating the reasons for the rejection, the major areas of disagreement, and efforts taken to obtain an acceptable report. The supervising senior will then make arrangements to have a new appraisal prepared.

B. Reviewer’s Appraisal Report

If it is not practical to obtain a new appraisal, the review appraiser, after consulting with the Supervising Right of Way Agent (Appraisal Branch Chief) and Region/District Right of Way Manager, may develop appraisal documentation to correct the rejected report for the parcel in question. In arriving at their own estimate of value, the review appraiser may use valid market data available, including data contained in any appraisals received for review. The review appraiser must personally verify any data obtained on their own initiative and provide written analyses of the data, plus reasoned justification or explanation supporting their conclusions consistent with the requirements of this chapter and established appraisal practices.

When the review appraiser makes changes to an existing appraisal report to cure a deficiency which results in the reviewer’s own opinion of value, the entire appraisal report is considered to be that of the review appraiser and no longer that of the original appraiser.

7.01.17.00 Approval Authority

Regardless whether the Region/District utilizes the cumulative review or review appraisal process, approval of the appraisal products will be in accordance with the existing Delegations as discussed in the Policy Chapter in this Manual and shown in the Exhibit Section. Any approvals not specifically delegated are retained in HQ R/W. When appropriate, the Region/District can submit otherwise Region/District-approved appraisals to HQ R/W. This includes Local Agency Contract appraisals when acquisition is to be performed by the Region/District.
7.01.18.00  Criteria for Use of Independent Fee Appraisers

When the Department uses an Independent Fee Appraiser to prepare a regular acquisition, condemnation, excess land or airspace appraisal, the Independent must have a “Certified General Real Estate Appraiser” license issued in accordance with Title XI of Reform, Recovery and Enforcement Act of 1989 and the State of California Real Estate Appraiser Regulations Title 10, Division 6.5. This requirement also applies to all Federally-aided local streets and roads projects and all special funded projects.

7.01.19.00  Report Processing and Records

The original appraisal shall be held by the Region/District as their Record of Appraisals for the proper retention period. A copy of the approved appraisal is not required to be sent to HQ R/W. This includes Local Assistance contract appraisals when acquisition is to be performed by the Region/District.

1. Appraisals may contain multiple parcels in a single ownership for both HQ R/W and Region/District approval. Waiver Valuations may also contain multiple parcels in a single supplement. In these cases, parcels will be arranged in the report in numerical order regardless of approval authority.

2. The Title Page will indicate whether HQ R/W approved or Region/District approved.

3. If used, a Parcel Summary Sheet may be kept in the parcel file for documentation.

4. Internal documents including the Certificate of Sufficiency (COS), the Hazardous Materials Disclosure Document (HMDD), the Parcel Diary, the Parcel Occupancy Data Sheet, the Parcel Summary Page, and the Excess Property Inventory Valuation (VTA) are not a part of the appraisal per se. As such, they must go forward with the appraisal for review and also with the copy that goes to Acquisition. The internal documents are then retained in the District’s file. All internal documents shall be removed prior to providing a copy of the appraisal to the Grantor.

7.01.20.00  Memo of Transmittal

A memo of transmittal is not required for routine submission of Appraisal Reports. A memo is required on resubmission of unapproved reports or the submission of corrected or revised appraisal pages. In these cases, the memo will briefly summarize the reason for resubmission and corrections made.

7.01.21.00  Tables

Table I - Cumulative Review Process For $10,000 and Over
Table II - Review Appraiser Process $10,001 to $1,000,000
Table III - Review Appraiser Task/Duties
Table I
CUMULATIVE REVIEW PROCESS
FOR $10,000 AND OVER

Senior Assigns Appraisal

Assoc. R/W Agent Prepares Appraisal

Assoc. Agent Submits (draft) Appraisal report to Sr.

Sr. conducts field review of subject property & comparable data

Concerns

Discussion of differences & concerns

Resolution

No

Remove Appraiser & assign to another Appraiser

Yes

Appraisal is corrected

Approved at Region/District level

District Acquisition Branch receives Appraisal

Is Appraisal Acceptable

Yes

Approval certificate returned to Region/District

No

Is Appraisal acceptable

Does report require HQ approval

Dual

No

Yes

Sr. reviews appraisal (sign) & recommends for approval

Submitted for 2nd level review for approval by Region/District R/W Mgr.
Table II
REVIEW APPRAISER PROCESS
$10,001 to $1,000,000

Assoc. R/W Agent Prepares Appraisal

Sr. (Supv.) Assigns Appraisal

Revisor Conduct Field/Office Review

Is Appraisal Corrected

Approved

Assoc. Agent submits Appraisal to Sr. (Supv.) for Admin. Review/checklist

Minor Deficiencies

Corrected by Review Appraiser

Report Corrected

Discuss with R/W Mgr. & Advise Sr. (Supv.) of discussion

Option 1

Option 2

No

No

Yes

Yes

Yes

Yes

No

Approved

Recommended new Appraiser

Review Appraiser prepares own report

District Acquisition Branch receives approved Appraisal

Approved

Start

Yes

* Return to Sr. (Supv.) for correction

Major Deficiencies

Reviewed}

Approved

Yes

Yes
### Table III
#### Review Appraiser Task/Duties

1. To become familiar with all projects involving the acquisition of parcels including field reviews, if necessary.
2. Meets with supervising senior to review the maps of projects involving R/W acquisitions and to discuss potential appraisal problems.
3. In conjunction with supervising senior, determines which parcels require dual reports and when dual reports may be waived.
4. Although supervising senior will author all requests for waiver of dual reports, appraisal reviewer recommends approval of such waivers to the Region/District Right of Way Manager.
5. May attend STM meetings, Public Hearings, etc., for projects involving R/W acquisition.
6. Consults with the supervising senior to discuss appraisal issues that arise during the preparation of the appraisals.
7. Reads all single and dual project reports and field reviews subjects and comparable sales in accordance with existing instructions in the manual.
8. Assures that Appraisal Branch Senior has completed the standard “Appraisal Checklist,” which verifies that appraisal meets requirements of R/W Manual.
9. When reviewing a report where the dual was “waived,” has the right to request preparation of the dual should the single report display that the appraisal assignment did indeed not meet the criteria for waiver of a dual.
10. Consults with the supervising senior and the appraiser to discuss appropriate corrective action, if any, on concerns that arose during the appraisal review.
11. May make minor corrective changes to the report, which do not materially affect the value conclusion without assuming responsibility for the appraisal.
12. Approves all single project appraisals up to $1,000,000, if dual was waived.
13. For dual project reports, reviews both reports regardless of value. Recommends both and sends to HQ liaison for review/approval, one for acquisition, and the other for documentation.
14. Reviews and recommends to HQ for approval all other nondelegated project appraisals, e.g., goodwill, railroad, etc.
15. Prepares Review Appraiser Certificate for all parcels approved.
16. Prepares Review Appraiser Report when appraisal is modified in some manner by review appraiser.
17. In exceptional cases, can elect to revise appraisals under the review appraiser concept. When does so, must author revised pages, appraiser certificate, etc., as required and assumes role of the appraiser.
18. Approves all Excess Land appraisals where the right of approval has been delegated to the Region/District. If not delegated, reviews report and recommends approval to HQ for final review/approval.
19. Reviews and recommends approval of all Airspace appraisals to HQ for final review/approval.
20. Repeats Items 7, 8, 9, 10, 11, 13, 14, and 15 as they relate to Excess Land and Airspace Appraisals.
21. Is responsible for assuring consistency of appraised values on any given project. When inconsistencies are observed, meets with the Appraisal Branch Senior to discuss appropriate corrective action.
22. Is responsible for assuring that individual appraisal branches are being consistent in the application of Department’s appraisal policies. Consults with supervising senior when discrepancies are observed to discuss appropriate corrective action.
23. In conjunction with supervising senior, provides appraisal training to appraisal staff.
7.03.01.00  The Appraisal Summary - Purpose

This page presents a summation of parcel data, value elements, and total appraised valuation.

7.03.02.00  Appraisal Summary Format

The Appraisal Summary (Form RW 7-9) will be completed in accordance with the directions following the form. Each of the described headings will be completed as appropriate.

Under the heading “Land,” show the valuation of the land or other property rights to be acquired. Each class of land required will be shown by type, area, unit value, and total value. Mining claims or other land rights separately valued will be separately described. If access rights are the only rights required, the remark “Access Rights Only” and a nominal value will be shown. Loss in parcel value will be reflected under “Damages.” If excess property is to be acquired, including parcels with excess proposed for exchange or as replacement sites, a segregation between Right of Way and Excess will be shown. If subparcels are included, clearly indicate the separate values, including those of excess.

All improvements proposed to be acquired, including those valued with land, will be listed under the “Improvement” heading. If improvements are on excess to be acquired, there will be a segregation of value between right of way and excess.

Improvements proposed for relocation in lieu of purchase and fixtures, machinery, equipment, and other “items pertaining to the realty” proposed for purchase will be shown under separate subheadings. Improvements may be listed either on the Appraisal Summary page, a Summary of Improvements page, or in the Cost Approach.

7.03.03.00  Alternate Appraisals

Alternate appraisals are secondary acquisition approaches and will be shown on supplemental Appraisal Summary pages. When alternate appraisals are included, the words “Primary” or “Alternate” will be shown in the headings of the Appraisal Summary pages. See the following sections on appraisals of Uneconomic Remnants and Excess Acquisitions regarding which approach should be the primary and which approach should be the alternate. The amount carried forward to the Parcel Summary Page, if used, will be the appraisal, either alternate or primary, that represents the higher cost to the State. Both the Primary and Alternate valuations will be provided to the Grantor in compliance with Section 102 of the Streets and Highways Code, as they are both part of the approved appraisal.

7.03.04.00  Appraisals of Excess Property for Acquisition

The appraisal of excess property will be done according to one of the following subsections:

7.03.04.01  Uneconomic in the Market

Staff appraisals will normally propose only acquisition of the right of way required plus net damages to the remaining property, if any. A small uneconomic remnant should be reviewed for possibility of including it in the right of way. However, with full substantiation, the appraisal may propose purchase of uneconomic remnants and/or improvements in the following instances:

A. When net severance damages, construction contract work, and utility relocations are substantial in relation to the value of the remainder in the before condition.
B. When the remainder is landlocked or so reduced in size or irregularly shaped as to be legally or economically incapable of independent development in the after condition.

Whenever the purchase of excess is proposed, purchase of the excess is required as the primary appraisal and will be approved for acquisition in accordance with current appraisal approval delegations. Justification for the acquisition of the excess from an economic standpoint in the market must be included in the report. The partial acquisition appraisal including estimated net severance damages must be included as the alternate appraisal. On Federally funded projects, the Department’s policy is to seek Federal reimbursement for the value of the partial acquisition, plus the amount of net damages accruing to the remainder.

NOTE: Whenever feasible, a valuation of the minor remnant left in the after condition should be included in the acquisition appraisal if: (1) the uneconomic remnant “is landlocked or so reduced in size or irregularly shaped as to be legally or economically incapable of independent development;” and (2) the uneconomic remnant is likely to have a value of $5,000 or less as an independent parcel or as plottage to an adjoining property. The valuation should be prepared in the appropriate excess land appraisal format and processed as a nominal value parcel (see Section 7.14.00.00). The valuation amount is the VTA. See Section 7.03.07.00.

If an exchange appears likely, the acquisition may be accelerated by completing the excess land appraisal concurrently with the acquisition appraisal, regardless of dollar amount.

7.03.04.02 Uneconomic to the Owner, or for the Convenience of the Owner

FHWA (49 CFR 24.2) defines “uneconomic remnant” as follows: “a parcel of real property in which the owner is left with an interest after a partial acquisition of the owner’s property, and which the acquiring agency has determined has little or no value or utility to the owner.” NOTE: An uneconomic remnant may have substantial market value and still have little or no value or utility to the owner.

The Uniform Act [49 CFR 102(k)] states:

“If the acquisition of only a portion of a property would leave the owner with an uneconomic remnant, the Agency shall offer to acquire the uneconomic remnant along with the portion of the property needed for the project.”

Statutes on the subject of “uneconomic remnants” are as follows:

A. State Government Code Section 7267.7(a) states:

“If the acquisition of only a portion of a property would leave the remaining portion in such a shape or condition as to constitute an uneconomic remnant, the public entity shall offer to, and may acquire, the entire property if the owner so desires.”

B. Code of Civil Procedure Section 1240.150 states:

“Whenever a part of a larger parcel of property is to be acquired by a public entity for public use and the remainder, or a portion of the remainder, will be left in such size, shape, or condition as to be of little value to its owner or to give rise to a claim for severance or other damages, the public entity may acquire the remainder, or portion of the remainder, by any means (including eminent domain) expressly consented to by the owner.”
Law Revision Commission Comment: “Inasmuch as exercise of the authority conferred by this section depends upon the consent and concurrence of the property owner, the language of the section is broadly drawn to authorize acquisition whenever the remainder would have little value to its owner (rather than little market value or value to another owner).”

At the appraisal stage, it may be difficult to determine whether or not a remainder is an uneconomic remnant to the owner. The determination must be made on a case-by-case basis. The Region/District should consult with the Division Appraisal Branch when questions arise. Ultimately, the appraiser needs to explain in the appraisal that the proposed changes to the remainder will affect the utility of the parcel in such a way as to make the use no longer viable to the owner, and make a determination that the owner’s request for acquisition is not merely for the owner’s convenience. If the remainder is not identified initially by the appraiser as an “uneconomic remnant to the owner,” the Acquisition Branch may later request an alternate appraisal that includes the uneconomic remnant and document such request by the owner in the Parcel Diary.

Identified uneconomic remnants to the owner will be included for acquisition as an excess parcel in an alternate appraisal. A partial acquisition appraisal is required as the primary appraisal, which will be reviewed and approved for acquisition. The alternate will be approved for valuation purposes only. The specific justification and authorization for the acquisition of the excess in the alternate will be the responsibility of the Region/District Right of Way Manager (Region/District R/W Mgr.).

The partial acquisition appraisal including damages sets the limit for Federal participation. The residual value of the excess after damages is not eligible for Federal participation.

The exception to the requirement of preparing both a primary and alternate appraisal, as described above, is in situations where the property owner, at the time of the appraisal, requests that the State acquire the remnant that has been identified by the appraiser to be an “uneconomic remnant to the owner.” In these cases, the Region/District R/W Mgr., may authorize the Appraisal Branch, in writing, to prepare a single, full take appraisal that proposes acquisition of the remnant as an excess parcel. A copy of the memorandum authorizing the single appraisal will be included in the appraisal report. The appraiser must also document such requests in the Parcel Diary. This exception only applies if there is no Federal participation in funding the acquisition since the appraisal would not contain a before and after damage analysis.

Additionally, property owners may request the purchase of a remainder merely for their convenience under circumstances which do not fit within the reasons as described above. Again, the partial acquisition appraisal including damages sets the limit for Federal participation. An alternate appraisal proposing the purchase of excess will be prepared when authorized in writing by the Region/District R/W Mgr. A copy of this memorandum will be included in the report with appropriate reference.

When the property owner requests the purchase of a remainder for convenience, a partial acquisition appraisal is required as the primary appraisal, which will be reviewed and approved for acquisition. The alternate will be approved for valuation purposes only, in accordance with current delegations. The specific justification and authorization for the acquisition of the excess in the alternate will be the responsibility of the Region/District R/W Mgr., considering among other things, the availability of State funds. The alternate excess acquisition appraisal may be made at the time of the initial appraisal or subsequently at the request of the Acquisition Branch.

If primary and alternate appraisals are made pursuant to this Section, the appraisal report must include a statement to that effect.
7.03.04.03 To Avoid Large Windfall Relocation Payments to Single Family Owner-Occupants

In some situations involving improved single family residential sites, a partial acquisition may result in a large windfall purchase price differential payment to the owner-occupant. This may occur when the taking includes the residence, and the remaining site has substantial value. The Appraiser must discuss these cases with the Relocation and Acquisition Branches to determine if a windfall situation exists, and thus a need to offer to acquire the remainder as excess (a total take) to avoid the windfall. If yes, a total take appraisal (including excess) will be made as the primary approach and a part take appraisal will be made as the alternate approach. A statement must be included that both appraisals are being made to avoid creating a windfall situation.

The total take must first be offered to the owner-occupant. If the owner elects to retain the remainder, the relocation payment can be calculated on the basis of a full take, thus avoiding the windfall payment.

In these situations, both the primary and alternate appraisals will be reviewed for approval in accordance with current appraisal approval delegations. While the purchase of the excess under this circumstance is not eligible for Federal participation, reimbursement can be sought for the value of the requirement plus the appraised amount of the damages (as set by the partial acquisition appraisal) on Federally funded projects.

7.03.05.00 Legal Larger Parcel and Subparcels

Generally, each parcel, together with all subparcels, will be included on one Appraisal Summary (RW 7-9). It may be necessary to have separate Appraisal Summary pages for subparcels. In these cases, the total value for the parcel will be compiled on one Appraisal Summary page.

There will be cases when more than one ownership will be included in a legal larger parcel. It may be necessary to appraise the separate ownerships as one legal larger parcel for proper damage and special benefit valuation. A separate Appraisal Summary page will be included to summarize the combined analysis of these separate ownerships.

7.03.06.00 Allocation Between Excess and Right of Way

Land value will be segregated by area, unit value, and total value of each class of land in the right of way and excess area. Additional requirements on excess land (drainage easements, etc.) are to be valued and attributed to the right of way. The excess is valued after encumbrances of any additional requirements.

Improvement values, including Relocations in Lieu of Purchase and Improvements Pertaining to the Realty, will be allocated between the required right of way acquisition area and the proposed excess area depending on their location and subject to the following instructions:

A. Building improvements straddling the right of way line will be charged to Right of Way. Building improvements, including garages and auxiliary buildings, located entirely on excess will be charged to Excess.

B. Landscaping, miscellaneous yard improvements, minor sheds, patios, fencing, and improvements pertaining to the realty located on excess are to be charged to Right of Way if the property’s major improvements are charged to Right of Way.

C. Damages to remainders not acquired as excess will be charged to Right of Way.

Separate totals will be shown for right of way and excess areas.
7.03.07.00  **Excess Parcel Inventory Value (VTA)**

Every proposed excess parcel will be appraised at inventory value (Value at Time of Acquisition, or VTA) for accounting purposes.

A. Inventory Value is the value of the excess, as a partial acquisition under condemnation rules, immediately after acquisition and considered as a separate parcel. The inventory value may not exceed the pro rata cost of the parcel except when this cost is less than $1. The minimum inventory value is $1.

B. The inventory value of each proposed excess parcel will be shown on an Excess Property Inventory Valuation Page (Form RW 7-13) in each parcel appraisal.

C. Inventory Value may be based on the appraiser’s judgment without detailed supporting documentation. Excess valued in a partial acquisition appraisal need only be summarized on Form RW 7-13.

D. It is anticipated that Form RW 7-13 will not contain sufficient data to document a partial acquisition. If grantor desires to retain the excess and the excess has not been appraised on a partial acquisition alternate, the Acquisition Branch will request a revised appraisal.

E. Inventory value will be changed only if the staff Appraisal is revised. Inventory values will not be revised to agree with administrative settlements, independent appraisals, stipulations, or condemnation judgments.

7.03.08.00  **Rental Rates**

Rental rates for all improved properties where the improvements are affected by the taking and rented unimproved properties shall be shown on the Appraisal Summary (RW 7-9).

The actual existing rental rate and the estimated economic rental rate will be shown on tenant-occupied properties. An estimate of the economic rental rate will be shown for all improved owner-occupied properties. The basis for the appraiser’s estimate of economic rent on dwelling units to be acquired shall be documented in the appraisal usually by specific reference to comparable rental data (see Exhibit 7-EX-3). State ownership will not be considered in estimating the rate. All actual and estimated economic rental rate data that include utilities should be specific as to type of utility(ies) involved.
7.14.00.00 - EXCESS LAND APPRAISALS

7.14.01.00 General

Requests for excess property valuations will originate in the Excess Land Branch or the Acquisition Branch. A copy of the written request will be included in the Report.

Excess land Market Value Appraisals, Market Value Determinations (of $10,000 or Less), and Public Sale Estimates may be prepared by a Right of Way Agent, Range B, provided the Agent’s qualifications are commensurate with the complexity of the valuation problem.

At the discretion of the Region/District Right of Way Manager (Region/District R/W Mgr.), Market Value Determinations and Public Sale Estimates of market value may be prepared by an agent assigned to the Excess Land Branch. However, the Market Value Determination must be reviewed and recommended for approval by a Senior Right of Way Agent assigned to the Appraisal Branch.

When the same agent prepares the Market Value Determination or Public Sales Estimate and conducts the sale, the RW 7-17A, Certificate of Market Value Determination, must be revised. It should contain the following statement:

“That I understand I may be assigned as the sales agent for one or more parcels contained in this report, but this has not affected my professional judgment nor influenced my opinion of value.”

Only in the instances cited above, may an excess land valuation be prepared by an agent assigned to the Excess Land Branch.

7.14.01.01 Excess Land Methods of Disposal

The following are commonly used methods of disposal that typically require valuation:

A. Public sale by auction or sealed bid.

B. Private sale by auction or sealed bid between adjoining owners.

C. Direct conveyances.
   1. Direct sale to adjoining owner (Findings “A” and “B”).
   2. To other governmental agencies.
   3. To public utilities.
   4. By Cooperative Agreements.
   5. Pursuant to legislation.
   6. To qualifying occupants under certain statutory requirements.
   7. Exchange pursuant to a contractual obligation.

D. Transfer of Jurisdiction to other State agencies.
7.14.01.02 Excess Land Valuations

There are three basic types of excess land valuations. They are Market Value Appraisals, Market Value Determinations (of $10,000 or Less), and Public Sale Estimates. A Market Value Appraisal or a Market Value Determination will be prepared for all properties to be sold at other than a public sale. All excess land valuations are based on the same definition of fair market value used in acquisition appraisals.

7.14.01.03 Review and Approval of Excess Land Appraisals and Public Sale Estimates

A field review of the subject and comparable data by the Appraisal Senior is required prior to recommendation of the estimate for approval. All valuations shall be approved in accordance with the current delegations.

7.14.02.00 Market Value Appraisals

A Market Value Appraisal will be prepared for all excess parcels unless they are to be sold at public auction or meet the criteria for a Market Value Determination ($10,000 or less). The Market Value Appraisal must consider the full market effect of all damages and benefits, and the economic effect of delay in the use of the property pending completion of construction of the transportation project. “Market Value” is based on the value of the parcel at its highest and best use, which may be as assemblage to adjoining property.

There are some specific valuation concepts and considerations associated with Market Value Appraisals of excess land.

A. Excess property with a highest and best use as assemblage to an adjoining property will be appraised at plottage value, i.e., the increment of value created by assemblage. The before and after valuation method will be used. Thus, the adjoining property will first be appraised as a separate parcel and then as assembled with the excess property. Plottage value created by assemblage must then be allocated between the adjoining parcel and the excess parcel, recognizing that both parcels are needed to create plottage value, but taking into consideration what each contributes to that value. The portion of the allocation attributed to the excess parcel is the “market value” of the excess. Note: Where the excess parcel is a minor remnant and an analysis of the adjoining property indicates that the excess parcel is likely to add $5,000 or less to its value, a simple approximation of the value of the adjoining property is sufficient.

In valuing the assembled parcels, the appraiser must also consider costs of physically joining the excess property with the adjacent property; for example, earthwork necessary to eliminate a substantial grade difference. The appraiser must also take into consideration soft costs such as time, carrying costs, and profit for any development required to realize the plottage value.

When the excess parcel being valued adjoins more than one ownership, it will be appropriate to indicate the value of the excess parcel as assembled with each of the adjoining owners. The value as shown on page 1 of the Excess Land Market Value Sheet (Form RW 7-18) will be that which is the highest value. Lower values considering assemblage to other adjoining owners may be indicated by notation on the Excess Parcel Market Value Sheet or attachment thereto.

In assemblage situations, the appraisal will include a map showing the excess and all adjoining owners.

When an adjoining property(s) requests decertification of right of way, the appraised value will not be reduced by the costs of relocating or reconstructing any necessary highway facilities such as freeway fencing, drainage facilities, slopes, landscaping, etc. The buyers of decertified right of way must pay for necessary costs of rearranging utilities, fencing, landscaping, and other improvements which may be affected by the decertification.
B. Utility easements to be conveyed to utility companies will be appraised at market value.

1. If the valuation amount is between $0 and $500, show “nominal” in the amount column.

2. If the valuation amount is between $501 and $2,500, show the actual amount rounded to the nearest $50, or, show “nominal” followed by the amount shown in parentheses.

C. Access rights will be valued at the difference between the values of adjoining property with and without encumbrance of the access rights.

D. Current market data are normally the best comparables. State sale comparables may be used if they meet normal criteria of comparability in time, desirability, market transaction, etc. State sales may best be used to demonstrate damage/benefit relationships between a State sale and contemporary market data in its locality. This relationship may be helpful in applying similar damage/benefit ratios to local market data and the subject parcel.

7.14.02.01 Format, Content, and Standards

A. Market Value Appraisals must follow the general standards of right of way acquisition appraisals. However, the amount of analysis and degree of documentation should be in proportion to the appraisal problem and valuation involved. Only relevant data should be included. The relevant data should be concisely stated and succinctly analyzed.

The standard right of way acquisition appraisal format is used except that the Excess Land Appraisal Title Page (RW 7-16), Senior Field Review Certificate - Excess Lands (7-EX-24C), Certificate of Appraiser - Excess Land (RW 7-17), and Excess Land Market Value Sheet (RW 7-18) will replace the standard forms/exhibits used in the acquisition appraisal. The report will also include the excess land appraisal request, Director’s Deed Map(s), and Excess Land Review Certificate (RW 7-7).

The excess land appraisal request from the Excess Land Branch or the Acquisition Branch should include the acquisition cost of the excess.

B. The Uniform Residential Appraisal Report form (URAR) may be used for appraising single family residential properties or 2 to 4 unit multi-residential properties. For further information regarding the use of the URAR form appraisal, see Section 7.07.02.00.

If the URAR form appraisal is used for proposed direct sales of excess pursuant to Government Code Section 54235, et seq. (SB 86, Roberti), the following is to be considered when preparing the appraisal:

- If improvement rehabilitation work is to be completed prior to sale and the parcel is appraised as though the work has been completed, list the rehabilitation work on a separate page attached to the form appraisal.

- The form may also be used to appraise the property before rehabilitation if the Excess Land Sales section requests such an appraisal. The appropriate premise must be indicated in the appraisal request letter from the Excess Land Sales section.
7.14.02.02 Dual Report Requirements

The District may determine that dual Market Value Appraisals are needed for excess land parcels of $500,000 or more that are proposed for direct sale to private parties. The criteria for determining the necessity for dual reports are similar to those related to project appraisals (Section 7.01.07.00) except for issues related to severance damages. The appraisals can be prepared by staff appraisers who shall be at the journey level or higher. Exceptions may be made by the Region/District for noncontroversial direct sales to private entities. The requirement for approval of the dual excess land appraisal remains with Headquarters Right of Way.

Proposed direct sales of excess property to a public agency do not require a dual appraisal and staff may prepare the single report. However, if the parcel is controversial, or politically sensitive, the Region/District should strongly consider hiring an independent appraiser.

Per Streets and Highways Code, Section 118.1, dual appraisals are required for the sale to a qualified occupant of commercial real property that was acquired by the Department for construction of a state highway but is no longer required because the construction will not take place. The Department must obtain at least two independent appraisals of fair market value from qualified appraisers.

7.14.03.00 Market Value Determination of $10,000 or Less

A Market Value Determination can be substituted for a Market Value Appraisal if the Region/District determines that the latter is unnecessary because the valuation problem is uncomplicated and the fair market value is estimated at $10,000 or less based on a review of available data. The Market Value Determination (MVD) is not an appraisal but is used to document the fair market value of the excess land to be disposed of. Like the Market Value Appraisal, the MVD must consider the full market effect of all damages and benefits, and the economic effect of delay in the use of the property pending completion of construction of the transportation project.

The determination as to which parcel is uncomplicated rests with the Region/District. Among criteria to be considered in making the determination are:

A. There is no serious question as to highest and best use.

B. Adequate market data is available.

C. Substantial enhancement value to adjoining parcel will not occur with the assemblage of the excess parcel.

An MVD cannot be used for a valuation problem that is considered complicated and/or complex, regardless of value. A preliminary analysis of potential plottage value, as detailed in Item A of Section 7.14.02.00, must be made in order to determine whether or not an MVD is appropriate.

The Market Value Determination may be based on a review of available relevant market data such as: comparable sales and listings already in the Region/District files, comparable sales and listings from multiple-listing services and commercial databases, opinions of Assessor’s Office appraisers or real estate brokers, and other data sources. Comparable Data forms and sales location maps are not necessary.
A Market Value Determination can, subject to approval delegations, be approved at the Senior level. They may be prepared and recommended for approval by an agent of less than Associate grade. It is strongly recommended that the Agent preparing the Market Value Determination have a good understanding of appraisal valuation concepts.

The same Agent who is assigned to sell the excess parcel can prepare a Market Value Determination. Refer to 7.14.01.00 for the proper statement to include in RW 7-17A when a single Agent is assigned both activities.

Members or candidates of professional appraisal organizations who are assigned to act in a dual role of Appraiser and Acquisition Agent should check with their organization’s Code of Ethics for specific prohibitions and disclosure requirements.

7.14.03.01 **Format, Content, and Standards**

Market Value Determinations of $10,000 or less may be prepared in the format shown in Memorandum – Market Value Determination (7-EX-16).

1. If the valuation amount is between $0 and $500, show the word “nominal” in the amount column.

   In addition to the 7-EX-16, the report includes a Senior Field Review Certificate - Excess Lands (7-EX-24C), Certificate of Market Value Determination - Excess Land (RW 7-17A), excess land appraisal request, and the Director's Deed Map(s). Photographs and narrative support of the valuation are not required unless HQ R/W approval is requested.

2. If the valuation amount is between $501 and $2,500, show the actual amount; or show “nominal” followed by the amount, rounded to the nearest $50, shown in parenthesis.

   Report requirements are the same as are given under item #1 above.

3. If the valuation amount is between $2,501 and $10,000, show the actual amount rounded to the nearest $50.

   In addition to the 7-EX-16 and the report requirements given under item #1 above, the Market Value Determination will ordinarily require a brief valuation analysis, and the content can be similar to that required for a Public Sales Estimate as indicated in 7.14.04.02 and 7.14.04.03.

   Any number of parcels on a single project with a like use can be valued on the same form.

   The excess land appraisal request from the Excess Land Branch or the Acquisition Branch should include the acquisition cost of the excess.
Public Sale Estimates

A Public Sale Estimate will be prepared for all excess parcels to be sold by public sale, except where a Market Value Appraisal or Market Value Determination has already been prepared. It is an estimate of current market value, in brief written form, containing the minimum reasonable parcel description, value analysis and supporting data. While the intention is to complete the estimate as rapidly as possible, it is also important that the appraiser strive for a reasonable level of quality and accuracy.

It is intended to provide the Excess Land Branch with an estimate of market value in the least possible time. The estimate will be used as the basis for setting the minimum bid on property to be offered at public sale.

This estimate of market value is to consider the parcel at its highest and best use as a separate parcel. It must consider present zoning as it affects the value for such use, along with the potential for rezoning.

The full market effect of all damages and benefits including noncompensable damages and general benefits must be considered. Also consider the economic effect of delay in the use of the property pending completion of construction of the transportation project.

Format

The Public Sale Estimate report should usually be prepared in the format of Exhibit 7-EX-15 and have map(s) attached. The report may be typed, but a legibly written, reproducible estimate is acceptable.

Content

The essential items to appear on the report page(s) are:

- Excess property identification (Region/District, County, Route and Director’s Deed number, Excess Land parcel number(s) and property address).
- Zoning of the property.
- Highest and Best Use of the property and comment in support thereof.
- A brief narrative description of the subject (including improvements), and its neighborhood setting.
- A description of easements or other legal encumbrances.
- A brief statement about the supporting data used.
- A brief analysis.
- Estimate of market value, including separate land and improvement values if applicable.
- Date of value.
- Estimator’s name, signature and date.
- Senior Appraiser’s name, signature and date.
- Approving Right of Way Agent’s name, signature, title and date.
7.14.04.03  Examples of Supporting Data

- Primary
  - a. Comparable sale(s).
  - b. Comparable listing(s).

- Secondary
  Market value opinion(s) from:
  - a. County assessor or staff appraisal members.
  - b. Real estate brokers or sales persons.
  - c. Real estate developers.
  - d. Real estate buyers and sellers.
  - e. Real estate appraisers, public or private.
  - f. Other people with credible knowledge about real estate values relevant to the subject.

- State excess land sales

7.14.05.00  Review of Request for Proposal Submittals (RFP)

Proposal Forms received as the result of a Request for Proposals, in the course of sale of residential properties under Government Code Sections 54235 et seq., will be reviewed by the Region/District Appraisal Section. This is to validate the reasonableness of the offers received.

Upon receipt of written request from the Excess Land Sales Section, the Appraisal Branch’s responsibility will be to review the Proposal Form to verify that the estimated operating expenses appear appropriate to the particular property involved. That is, fixed and variable operating expenses and reserves for replacements will be reviewed to see that they conform to local practice experience, market expectations and reasonable anticipated costs and economic life standards.

In addition, proposed rehabilitation work and its estimated cost as contained in the proposal should be reviewed to determine whether the work and cost appear appropriate. The review will be commensurate with the extent of the information furnished. Excess Land Sales is responsible for furnishing additional data for consideration if any is required.

The review memorandum should be signed by the Appraisal Manager and a copy retained in the Appraisal files.
# CHAPTER 7

## Appraisals

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(Rev 3/2014)
STATE OF CALIFORNIA • DEPARTMENT OF TRANSPORTATION
APPRaisal SUMMARY
RW 7-9 (REV 3/2014)

NOTE: Instructions for completion of this form are contained on the following pages.

APN | F.P. # | PARCEL NO.
---|---|---

Report No. | Date | Reg/Dist | Co | Rte | P.M. | Exp Auth | Map No.

Owner: | Proj. ID: |

Property Address: | Locale: |

Zone: | Present Use: | Best Use: |

Entire Property: | Land: $ | Imps. $ | Total: $ |

Possible Hazardous Waste (Include underground tanks): | Yes | No |

Date Acquired: | DTT: $ | Consideration: $ |

Total Prop. Area: | Full | Part | (Include Access Rts.) | Yes | No |

Market Value of Required Property: | $ |

Land:

Inspected Dates: By:

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### INSTRUCTIONS

**RW 7-9 (REV 3/2014)**

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<th>Date</th>
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<th>P.M.</th>
<th>Exp Auth</th>
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<tbody>
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</tr>
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</table>

**Owner:** (8)  
**Proj. ID:** (9)

**Property Address:**  
**Locale:** (10)

**Zone:** (11)  
**Present Use:** (11)  
**Best Use:** (11)

** Entire Property:**  
- Land: $ (12)  
- Imps. $ (12)  
- Total: $ (12)

**Possible Hazardous Waste (Include underground tanks):**  
☐ Yes  
☐ No

**Date Acquired:** (14)  
**DTT:** $ (14)  
**Consideration:** $ (14)

**Total Prop. Area:**  
☐ Full  
☐ Part  
☐ Yes  
☐ No

**Market Value of Required Property:** (16)  
$ 

---

**Land:**

---

**Inspected Date:** (18)  
**By:** (19)
INSTRUCTIONS FOR COMPLETION OF FORM RW 7-9
(See Sections 7.03.01.00, 7.03.02.00, 7.04.04)

The following will be included on the Appraisal Summary as appropriate:

(1) Enter the Assessor’s parcel number.
(2) The word "Primary" or "Alternate," if alternate appraisals are included.
(3) The Federal project number.
(4) (a) The word "Revised" with date of submission.
       (b) The remark "Revises and supersedes the parcel appraisal in Appraisal Report No. _______ dated _______ " for Revised Parcel Appraisals included in the report.
       (c) In addition to (a) and (b) above, cross reference split parcel numbers.
       (d) On merged parcels, add the remark "Revised (date) merges with Parcel _______ and supersedes the parcel appraisal in Appraisal Report No. _______ dated _______ ."
(5) When parcels with a mutual owner are appraised together as a larger parcel, the upper margin of the recapitulation page (Form RW 7-9) will reference all parcels in the appraisal group. Each higher numbered parcel (if separate appraisal pages RW 7-9 are used) will reference the lowest number—"see also Parcel _______ ."
(6) The date will be the date of the Appraisal Report. This date will not be changed in submission of Revised Appraisal Pages. It will be changed in a Revised Parcel Appraisal.
(7) The Post Mile (P.M.) may be shown to the lowest tenth of a mile but not lower than the project limit.
(8) Show the vested owner’s name. The use of the terms "et ux," "et al" is satisfactory. An employee of the Department of Transportation will be shown with Civil Service Class, place of employment and Division of the Department.
(9) EFIS: Advantage Project ID
(11) A description of specialized zoning should be included in the appraisal. Property use descriptions should be specific and not zoning classification.
(12) Entire property values will be omitted for full acquisitions and may be estimated or omitted in small partial acquisitions from large holdings with no severance damages. Land value should be shown in site valued land or when the entire area has been calculated.
(13) Note the existence or absence of possible hazardous waste, including underground tanks.
(14) The date the deed was recorded, the amount of the documentary transfer tax and the consideration shall be shown if the property was acquired within the five years preceding the date of the appraisal. The date of an unrecorded contract of sale should be shown if within five years. If no transfer has taken place within the last five years, show "over five years" after the heading Date Acquired. (NOTE: See Section 7.02.03.00(M) if a Sales Data Page is required.)
(15) Access rights restriction requirements will be marked for all partial acquisitions.
(16) This will be the total of land, improvements and net damages. This amount will include proposed excess land and improvements, and improvements pertaining to the reality. This amount will not include advertising structures shown in the Summary of Outdoor Advertising Structures, furniture proposed for possible purchase, or Construction Contract Work. Construction Contract Work will, however, be carried forward separately to the Parcel Summary Page.

Pertinent information may be typed directly under the headings (and subheading if appropriate) if space allows. If not, enter the total valuation for the heading and refer to supplemental pages for further details. Enter the word "None" and zero value if appropriate.
(17) Land - show breakdown by subparcel and indicate value/square foot or acre.
   Improvements
      Relocation in Lieu of Purchase
      Improvements Pertaining to the Realty
   Damages Less Benefits
      Severance Damages
      Benefits
      Net Severance Damages or Benefits
   Totals for Right of Way and Excess
   Construction Contract Work
   Rental Rate, Actual and Economic
   Outdoor Advertising Structures (See Summary)
   Access Openings
(18) Dates Inspected
(19) Names of Appraisers
If excess property is proposed for acquisition, values for Right of Way and Excess should be assigned in separate columns under each heading in accordance with Manual Section 7.03.06.00.

Main headings 17 will be included in all appraisals. (See Section 7.07.14.00 regarding breakout of owner vs. tenant or lessee owned improvements.)

Sub-headings Improvements, Damages Less Benefits, Totals for Right of Way and Excess and Construction Contract Work will be included in all appraisals of partial acquisitions.

Sub-heading Rental Rate, Actual and Economic will be included in appraisals which include improved properties and rented unimproved properties. On tenant-occupied properties, the actual rental rate and the estimated economic rental rate will be shown. For improved owner-occupied properties, an estimate of the economic rental rate will be shown.

Sub-heading Outdoor Advertising Structures will be included for parcels with outdoor advertising structures listed on the Summary of Outdoor Advertising Structures.

Sub-heading Access Openings will be included in all partial acquisitions with any proposed access openings - permanent, temporary or locked gate.

Heading 18 will show the dates the property was inspected by the appraiser(s).

Heading 19 will show the name(s) of the appraiser(s) who made, or revised, the appraisal.
I hereby certify:

That I have personally inspected the property herein valued. A personal field inspection of the comparable sales relied upon in making said Market Value Determination has also been made. The photographs contained in this report are representative of the subject property(ies) and comparables relied upon in making this Market Value Determination.

That to the best of my knowledge and belief, the statements contained in the Market Value Determination herein set forth are true, and the information upon which the opinions expressed therein are based is correct, subject to limiting conditions herein set forth.

That I understand that the Market Value Determination may be used in connection with an Excess Lands transaction that resulted from a project constructed by the State of California with the assistance of Federal-aid highway funds, or other Federal funds.

That such Market Value Determination has been made in conformity with the appropriate State laws, Title VI of the 1964 Civil Rights Act, regulations and policies and procedures applicable to Market Value Determination of property for such purposes.

That neither my employment nor my compensation for making this Market Value Determination and report are in any way contingent upon the values reported herein.

That I have no direct or indirect present or contemplated future personal interest in such property or in any benefit from said property Market Value Determination, nor will I derive any benefit from the resulting Excess Land transaction.

That I have not revealed the findings and results of such Market Value Determination to anyone other than the proper officials of the California Department of Transportation or officials of the Federal Highway Administration, and I will not do so until so authorized by State officials, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

That my opinion of the total fair market value of the parcel(s) included in this report as of the ____________ day of ____________, is $ ______________, and that such conclusion was derived without collusion, coercion or direction as to value.

Date

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# CHAPTER 7

## Appraisals

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**S**ubject: Market Value Determination

The following estimates of (plottage) value on the above-referenced project are provided in accordance with your memorandum dated ____________________________:

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<th>Size</th>
<th>Use</th>
<th>Value</th>
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---

**R**ecommended for Approval:

__________________________
Right of Way Agent

__________________________
Senior Right of Way Agent
(Appraisals)

**A**pproved:

__________________________
Region/District Right of Way Manager