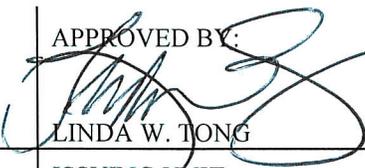


<input checked="" type="checkbox"/>	R/W MANUAL CHANGE	RWMC- 251
<input type="checkbox"/>	PROCEDURAL HANDBOOK (1984 Edition)	RWPH-____-____-____ TRANSMITTAL#____

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TITLE: APPRAISALS	APPROVED BY:  LINDA W. TONG	DATE ISSUED: OCT 27 2015
SUBJECT AREA: CHAPTER 7 – APPRAISALS	ISSUING UNIT: OFFICE OF APPRAISALS AND LOCAL PROGRAMS	Page 1 of 2
SUMMARY OF CHANGES: Revises Sections 7.04.00.00 and 7.10.00.00. Updates Table of Contents.		

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**PURPOSE**

This manual change provides clarification regarding temporary easement valuation. In addition, clarification is also provided regarding the content of the Report Analysis (7-EX-18). Roles in the hazardous waste process were also clarified.

**BACKGROUND**

Policy regarding the valuation and acquisition of temporary easements was recently addressed in the memo entitled “*Temporary Construction Easements – Payment of Just Compensation*” dated July 6, 2015. As a property is considered to be encumbered during the entire duration of a temporary easement, compensation commences when the State takes legal and/or physical possession of the property. Within the duration of a temporary easement, an owner’s loss of utility and enjoyment may vary; the valuation should consider any such variations of loss within the duration of the temporary easement.

In addition, the content of the Report Analysis (7-EX-18) is clarified; guidance consistent with Section 9.05.11.00 is added to 7.10.11.00 to provide additional context to the content of the exhibit. The analysis will not recommend or discommend the valuation – comments shall refer to compliance and reporting differences (if applicable).

Roles in the identification and investigation of hazardous waste were also clarified within the Project Development Team, Environmental Engineering, and Right of Way.

Where applicable, general typographical errors were corrected throughout each section.

**PROCEDURES**

**Sections**

- 7.04.09.00 Clarifies encumbrance considerations for temporary easement valuation.
  - 7.04.12.02 Clarifies roles of the Project Development Team when dealing with hazardous waste.
  - 7.10.11.00 Clarifies content of Report Analysis (7-EX-18) consistent with 9.05.11.00.
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**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**

<b><u>Chapter</u></b>	<b><u>Remove Old Pages</u></b>	<b><u>Insert New/Revised Pages</u></b>
	Remove the following in its entirety:	Replace with the following in its entirety:
7 - Sections	Table of Contents (REV 8/2015) 7.04.00.00 (REV 2/2010) 7.10.00.00 (REV 12/2006)	Table of Contents (REV 10/2015) 7.04.00.00 (REV 10/2015) 7.10.00.00 (REV 10/2015)

## CHAPTER 7

### APPRAISALS TABLE OF CONTENTS

<b>7.01.00.00</b>	<b>APPRAISAL POLICIES AND GENERAL REQUIREMENTS</b>
01.00	General Overview
01.01	Definition of Market Value
01.02	Necessity for Appraisal
02.00	Appraisal Report Not Required
03.00	Uniform Relocation Assistance and Acquisition Policies Acts
04.00	Standards
04.01	Appraiser Qualifications
04.02	Jurisdictional Exception
05.00	Separation of Appraisal and Acquisition Functions
06.00	Prerequisites for “ <i>Preliminary Right of Way</i> ”
07.00	Dual Report Requirements
08.00	Donations
08.01	Credit Toward State’s Matching Share
09.00	Dedications
10.00	Notice of Decision to Appraise
11.00	Parcel Diary
12.00	Responsibility for Providing RAP Information
13.00	Legal Opinions
14.00	Responsibility for Preparation
15.00	Appraisal Review
15.01	Cumulative Review Concept
15.02	Review Appraiser Concept
16.00	Review Appraiser Process
16.01	Minor Deficiencies
16.02	Major Deficiencies
17.00	Approval Authority
18.00	Criteria for Use of Independent Fee Appraisers
19.00	Report Processing and Records
20.00	Memo of Transmittal
21.00	Tables
<b>7.02.00.00</b>	<b>APPRAISAL REPORTS</b>
01.00	Federal Project Numbers
02.00	Report Identification Numbers
03.00	Organization, Content, and Sequence
04.00	Parcel Numbering
05.00	Number of Parcels Per Report
06.00	Parcels Straddling an Expenditure Authorization
07.00	Parcel Groups - Mutual Owners
08.00	Parcel Groups - Integrated Operation
09.00	Dual Report Process
09.01	Corrections and Revisions
09.02	Review Process

<b>7.02.00.00</b>	<b>APPRAISAL REPORTS (Continued)</b>
10.00	Replacement Housing Valuation Reports
11.00	Calculations
12.00	Noncomplex Valuations of \$25,000 or Less
13.00	Waiver Valuation In Lieu of an Appraisal
13.01	Waiver Valuation (\$2,500 or Less) - Contents and Requirements
13.02	Waiver Valuation (\$2,501 to \$10,000) - Contents and Requirements
14.00	Nominal Values (\$2,500 or Less)
<b>7.03.00.00</b>	<b>APPRAISAL PREPARATION</b>
01.00	The Appraisal Summary - Purpose
02.00	Appraisal Summary Format
03.00	Alternate Appraisals
04.00	Appraisals of Excess Property for Acquisition
04.01	Uneconomic in the Market
04.02	Uneconomic to the Owner, or for the Convenience of the Owner
04.03	To Avoid Large Windfall Relocation Payments to Single Family Owner-Occupants
05.00	Legal Larger Parcel and Subparcels
06.00	Allocation Between Excess and Right of Way
07.00	Excess Parcel Inventory Value (VTA)
08.00	Rental Rates
<b>7.04.00.00</b>	<b>VALUE CONCEPTS AND CONSIDERATIONS</b>
01.00	Value Basis
02.00	Total Value
03.00	Encumbered Fee
04.00	Mineral, Water, Oil and Gas Rights
05.00	Improvement Bonds and Assessments
06.00	Leasehold Interests "Bonus Values"
07.00	Change in Grade Only
08.00	Access Rights
09.00	Temporary Easements
10.00	Permanent Easements
11.00	Unit Values
12.00	Hazardous Waste and Hazardous Material Definition
12.01	Hazardous Waste General
12.02	Hazardous Waste Identification and Investigation
12.03	Hazardous Materials
12.04	HW Site Identification
12.05	Notification
12.06	Valuation
13.00	Market Value of Nonprofit, Special Use Properties

<b>7.05.00.00</b>	<b>METHODS OF VALUATION</b>
01.00	Value Approaches
02.00	Sales Comparison Approach
02.01	Comparable Data
02.02	Analysis of Comparable Data
03.00	Assessor's Office Data
04.00	Cost Approach
05.00	Income Approach
05.01	Income Schedule
06.00	Review of Owner's Claimed Out-of-Pocket Expenses
<b>7.06.00.00</b>	<b>LAND</b>
01.00	General
02.00	Timber Land
03.00	Agricultural Land
04.00	Valuation of Williamson Act or Farmland Security Zone Lands and Timberland Production Zone Land
05.00	Valuation of Land Encumbered by Conservation Easement
05.01	Open-Space Easements
05.02	Wildlife Conservation Easements
05.03	Agricultural Conservation Easements
05.04	Replacement Conservation Easements
05.05	Comparison of Statutes Regarding Valuation of Conservation Easements
06.00	Outdoor Advertising Sites
<b>7.07.00.00</b>	<b>IMPROVEMENTS</b>
01.00	General
02.00	Single Family Residence and Two to Four Unit Multi-Residence - Form Appraisal
03.00	Miscellaneous Improvements and Landscaping
04.00	Agricultural Improvements
05.00	Valuation of Fences
06.00	Valuation of Water Sources
07.00	Improvements - Little or No Value
08.00	Improvements - Interim Value
09.00	Improvements - Purchase or Curative Work?
10.00	Improvement Relocations or Replacements Exceeding Depreciated Value Less Salvage
11.00	Relocation, Rearrangement, or Reconstruction Estimates
12.00	Building Check Sheets
13.00	Service Station, Commercial and Industrial Buildings
14.00	Tenant or Lessee-Owned Improvements (Excluding Personal Property)
15.00	Retention Value
<b>7.08.00.00</b>	<b>IMPROVEMENTS PERTAINING TO THE REALTY</b>
01.00	General
02.00	Appraisal Page Format
03.00	Replacement Cost
04.00	Depreciated Value
05.00	Salvage Value
06.00	Improvements Not Pertaining to Realty Under Section 1263.205

**7.09.00.00 DAMAGES, BENEFITS, AND CONSTRUCTION CONTRACT WORK**

- 01.00 General
- 02.00 Severance Damages
- 03.00 Noncompensable Damages
- 04.00 Cost to Cure
- 05.00 Benefits
- 06.00 Summary of Severance Damages and Benefits
- 07.00 Damage Alternatives
- 08.00 Utility Service Damage
- 09.00 Construction Contract Work
- 10.00 Utility Main Relocations
- 10.01 Private Utility Connections
- 11.00 Access Openings

**7.10.00.00 REVISION AND REVIEWS**

- 01.00 General
- 02.00 Changes in Unapproved Appraisals Requiring Division Approval
- 03.00 Changes in Approved Appraisals-Unacquired Parcels
- 04.00 Revised Appraisal Pages
  - 04.01 Submittal of Revised Pages
- 05.00 Revised Parcel Appraisals
- 06.00 Memorandum of Adjustment
- 07.00 Changes in Approved Appraisals on Acquired Parcels
- 08.00 Parcel Splits and Mergers
- 09.00 Parcel Cancellations
- 10.00 Review of Condemnation Parcels
- 11.00 Preparation of the Report Analysis for Expert Witness Appraisals

**7.11.00.00 OUTDOOR ADVERTISING SIGNS**

- 01.00 Valuation
- 02.00 Definitions
- 03.00 Process
- 04.00 Payment Schedules/Application Renewal Permit Fees
- 05.00 Appraisal Procedures for Outdoor Advertising Signs

**7.12.00.00 MOBILE HOMES**

- 01.00 Mobile Homes - General
- 02.00 Mobile Homes - Realty
- 03.00 Mobile Homes - Personalty
- 04.00 Mobile Homes - Special Procedures
- 05.00 Mobile Homes - Format

<b>7.13.00.00</b>	<b>SPECIAL APPRAISAL REPORTS</b>
01.00	General
02.00	Material Site Appraisals
03.00	Disposal Site Appraisals
04.00	Office and Maintenance Station Site Appraisals
10.00	Joint Acquisition Appraisals
20.00	Protection Appraisals
30.00	Appraisals for Other Agencies
40.00	Staff Litigation Reports
<b>50.00</b>	<b>UTILITY, RAILROAD AND GOVERNMENTAL OWNERSHIPS</b>
50.01	Public Utility Property
50.02	Fee Land
50.03	Improvements
60.00	Railroad Property General Prerequisites
60.01	Valuation of Railroad Properties
70.00	Governmental, Indian, Functionally Replaced Publicly Owned Facilities, and State Land
<b>7.14.00.00</b>	<b>EXCESS LAND APPRAISALS</b>
01.00	General
01.01	Excess Land Methods of Disposal
01.02	Excess Land Valuations
01.03	Review and Approval of Excess Land Appraisals and Public Sale Estimates
02.00	Market Value Appraisals
02.01	Format, Content, and Standards
02.02	Dual Report Requirements
03.00	Market Value Determination of \$10,000 or Less
03.01	Format, Content, and Standards
04.00	Public Sale Estimates
04.01	Format
04.02	Content
04.03	Examples of Supporting Data
05.00	Review of Request for Proposal Submittals (RFP)
<b>7.15.00.00</b>	<b>AIRSPACE ESTIMATES, BID LEASE VALUATIONS AND APPRAISALS</b>
01.00	General
02.00	Estimates
03.00	Appraisals - General
03.01	Format
03.02	Standards and Methods
03.03	Preparation
04.00	Bid Lease Valuations
05.00	Rental Rate Appraisals

<b>7.16.00.00</b>	<b>RENT DETERMINATION</b>
01.00	General
02.00	Content
03.00	Review and Approval Process
04.00	Special Circumstances
05.00	Nominal Value Nonresidential Rentals
<b>7.17.00.00</b>	<b>BUSINESS GOODWILL APPRAISALS</b>
01.00	Statute - Compensation for Loss of Goodwill
02.00	Interpretation of the Eminent Domain Law, Court Cases, and Legal Issues
03.00	Burden of Proof
04.00	Notification Letter to the Business Owner (Form RW 7-30)
05.00	Timing for the Preparation and Completion of the Goodwill Appraisal
06.00	The Goodwill Appraisal Report
07.00	Parcel Diary
08.00	Cross-referencing the Goodwill and Real Estate Appraisal Reports
09.00	Parcel Numbering
10.00	Review and Approval Process
11.00	Project Influence
12.00	Appraisal Report Components and Sequence
13.00	Goodwill Valuation
14.00	Business Valuation Methods
15.00	Analyzing Financial Statements and State Income Tax Returns
16.00	Betterment at the Relocation Property
17.00	Disadvantages at the Relocation Property
18.00	Compensation to Business Owners Under the Relocation Assistance Program (Pursuant to Section 7262 of the Government Code and 49 Code of Federal Regulation Part 24)

## **7.04.00.00 - VALUE CONCEPTS AND CONSIDERATIONS**

### **7.04.01.00      Value Basis**

Required property rights will be appraised at current fair market value. The property will be appraised as though free and clear of all liens, bond assessments, and indebtedness. The property will be appraised at its highest and best use, considering its legal and economic utility and desirability. Highest and best use is considered to be the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and results in the highest value.

Any decrease or increase in the fair market value prior to the date of valuation of real property caused by the public improvement for which such property is acquired, or by the likelihood that the property would be acquired for such improvement, other than that due to physical deterioration within the reasonable control of the owner, will be disregarded in determining the compensation for the property.

### **7.04.02.00      Total Value**

The market value of required property is the total appraised value of the property rights proposed for purchase including net damages, if any, to the remainder. This amount is carried forward to the Appraisal Summary (RW 7-9) and the Parcel Summary Page (RW 7-4), if used.

### **7.04.03.00      Encumbered Fee**

The condition of title of each subject parcel will be examined. The effects of land restrictions and existing rights of way and easements, recorded and unrecorded, will be considered in the land valuation. The effect of routine tract restrictions, domestic utility easements, and easements of nominal effect may be reflected in the overall valuation of the land. Fee areas encumbered with extensive easements and rights of way which materially affect the use or desirability of the land are to be valued separately, reflecting the effect of the encumbrances. Great care must be exercised in evaluating the effect of private land restrictions or easements in which the subject parcel is a servient tenement. In these cases, a separate appraisal of the dominant tenement and the effect on the servient tenement may be required.

### **7.04.04.00      Mineral, Water, Oil and Gas Rights**

Mining claims, water rights, mineral reservation, and oil and gas rights will be valued as separate rights in land, if separately owned, or if comparable data supports other than nominal valuation. The appraisal will include the land value of the right, the improvements appurtenant to the right, and the damage payments and construction contract work necessitated by the proposed highway construction. The value of the fee ownership should reflect the loss of the surface area and other rights required to exploit the resource.

Frequently, these rights may be exploited in the after condition without interfering with the use of the surface for highway purposes. In these cases, the appraisal may show the right at a nominal land value and appropriate payments for improvements, damages, and construction contract work.

When necessary to make separate appraisals of these interests, the Appraisal Branch will identify the separate rights by subparcel letter designation. These rights need not be delineated on Appraisal Maps unless required for clarity.

**7.04.05.00**      **Improvement Bonds and Assessments**

Property will normally be appraised free and clear of improvement bonds and assessments. This assumes that the appraised value reflects these improvements over properties not so improved and therefore not subject to bonds and assessments. Comparable data are to be adjusted to reflect these differences where the comparables are not subject to the same bonded indebtedness.

Exception to this policy will be allowed only if both the following conditions are met:

- A. The assessment Region/District is relatively new, and few, if any, sales have occurred which reflect the effect of the bonded improvements on property values.
- B. The appraisal indicates that the bonded improvement will be adequate for the area and will add value to the properties, at least, commensurate with its cost.

**7.04.06.00**      **Leasehold Interests “Bonus Values”**

The valuation of parcels will be made as if free and clear of leasehold interests. However, leasehold information is required. The appraisal will contain the name of the lessee, lease rate, and general summary of the lease terms. The contract, estimated economic rents and any circumstances which may indicate a “bonus value” situation, including the statement that one does or may exist, will be discussed.

“Bonus Value” is defined as the value of a tenant’s leasehold interest in the real estate arising from contract rent that is less than the economic rent. The economic rent must be consistent with the highest and best use of the property. The amount of “bonus value” is a matter between lessor and lessee. Any “bonus value” shall be estimated only at the request of the Acquisition Branch for assistance in negotiations and not included in the Appraisal Report.

**7.04.07.00**      **Change in Grade Only**

When a change of grade of an existing street affects a subject property but no other rights are required pursuant to Streets and Highways Code Section 854 et seq., a property owner must file a claim within 60 days of Notice or waives all rights to compensation. If a written claim is filed, the remark “Waiver Only” and a nominal value will be shown under the “Land” heading on the Appraisal Summary (RW 7-9). Valuation will be shown under “Damages.”

**7.04.08.00**      **Access Rights**

The value of restriction of abutter’s rights, including access rights, is measured by the loss in value of the remaining property before and after the restriction. The requirements for abutter’s rights and/or access rights will be marked on the Appraisal Summary (RW 7-9) of all partial acquisitions. If abutter’s rights and/or access rights are the only property rights acquired, the remark “Abutter’s Rights and/or Access Rights Only” and nominal value will follow the “Land” heading. Valuation of any loss will be shown under “Damages.” (See Section 7.09.00.00.)

When the Department proposes to dispose of access rights, Project Development may request an appraisal of the market value of the property right being transferred. The measure of market value for access rights is the potential increase in value of the abutting property before and after the access is granted. See Project Development Manual, Chapters 26 and 27, as well as Chapter 16 of the Right of Way Manual for guidance.

#### **7.04.09.00      Temporary Easements**

A temporary easement is a temporary property encumbrance for a specific anticipated use over a specified duration of time. Temporary requirements are valued by the loss in utility and enjoyment of the encumbered area for the entire easement term/duration. This loss may be expressed as a discounted land rental rate. The extent of an owner's loss of utility and enjoyment may be influenced by the owner's inability to transfer, lease, or otherwise use the encumbered area. The appraisal analysis should therefore consider any such varying levels of the owner's loss of utility and enjoyment of the encumbered area for the entire duration of the easement term.

Compensation for a temporary easement commences when the State obtains legal possession of a property. Although the actual/physical use of a property may be anticipated for a limited duration within a set time frame, a property is considered to be encumbered for the entire duration of the easement term. For example, a temporary easement for a 12-month anticipated duration to be used within a 36-month time frame results in a 36-month easement period to be evaluated and valued.

Appraisals shall describe the basis of valuation and term of loss. If the temporary easement will encumber a damaged or benefited remainder, duplication of payment or windfall may be avoided by deferring the damage or benefit for the area encumbered by the temporary easement until the easement's expiration date. In all cases, consideration of timing of damage or benefit must be included in the analysis. A damage payment for restorative work after termination may also be necessary.

#### **7.04.10.00      Permanent Easements**

Permanent requirements of less than fee title, such as drainage easements, will be valued by the loss in utility and enjoyment before and after the imposition of the encumbrance. This loss may be expressed as a percentage of unencumbered fee value. The requirement may also involve improvements and possible damages and benefits to the remaining property.

Care must be exercised that easements existing within the subject fee acquisition are properly valued and that double payment is not proposed for easement replacement requirements.

#### **7.04.11.00      Unit Values**

Comparable data, land, and improvement values are normally expressed as unit values. The unit values are then adjusted and applied to land and/or improvements of the subject, as appropriate, after taking differences into account.

Occasionally, land may be valued by comparison on a site or lot basis. This method must be supported by the comparable data. In a partial acquisition, the land will be valued at the comparable unit value of the class of land of which it is a portion. Distribution of value between right of way requirements and excess will be shown at the component unit land values of the classes of land of which the portions are a part.

#### **7.04.12.00**      **Hazardous Waste and Hazardous Material Definition**

A material is hazardous if it poses a threat to human health or the environment. The term “*hazardous waste*” is applicable to the storage, deposit, contamination, etc., involving a hazardous material (HM) which has escaped or been discarded or abandoned and which may be defined in general terms as being any of the following:

- Flammable
- Reactive (subject to spontaneous explosion or flammability)
- Corrosive
- Toxic

“*Hazardous materials*” may be any of a large group of the above products. If their use is under control and in accordance with applicable statutes and regulations, there is generally no appraisal problem.

#### **7.04.12.01**      **Hazardous Waste General**

Each Region/District has a designated Region/District Hazardous Waste/Materials Coordinator; this is the contact person for all HW information that may pertain to the development of a project. They will be responsible for ensuring implementation of and compliance with the Director’s policy memorandum that outlines the Department’s policy/procedure relative to HW. The major points affecting Right of Way are:

- A. No real property acquisition or possession is to take place until HW investigation reports have been completed and the appraisal reflects those findings.
- B. The parcel Certificate of Sufficiency (COS) from Project Development to Right of Way is to have attached a Hazardous Materials Disclosure Document (HMDD) that provides a narrative certification from the District Hazardous Waste Coordinator that the property can be:
  1. considered free of significant HW; or
  2. the COS and HMDD will include a completed and approved property investigation report stating the nature and extent of contamination and an appropriate remedial cost estimate; or
  3. if appropriate, the COS and HMDD will state the owner’s approved cleanup plans, schedule and current status.

The COS and HMDD are internal documents. As such, they are to be transmitted with the appraisal for review and retained in the file.

#### **7.04.12.02**      **Hazardous Waste Identification and Investigation**

During the early stages of project development, the Region/District Environmental Engineering Branch, as part of the Project Development Team (PDT), will identify sites or facilities that may be contaminated with HW for further investigation. Note: R/W, as a PDT member, shall provide functional input on HW parcel issues early in the project development process.

Environmental Engineering thereafter administers HW investigations and should furnish resulting parcel reports and estimated costs to R/W by the time the parcel Certificate of Sufficiency with attached Hazardous Materials Disclosure Document is approved and forwarded to Right of Way.

The R/W Appraisal Branch must receive and consider in the appraisal the effect of the parcel HW investigation report, or receive a certification from Environmental that the parcel is considered “free” of HW, before a resulting parcel appraisal can be approved for acquisition purposes.

Right of Way, as part of the Project Development Team, will assist in the identification and investigation phases whenever possible and will provide the primary source of contact with property owners and operators. As such, Right of Way will:

- A. Alert the PDT whenever a new potential HW site is discovered.
- B. Obtain necessary Permits to Enter for HW investigation and cleanup from property owners and operators, including securing court orders through the Legal Division.
- C. Provide normal right of way clearance activities to include cleanup of minor HW situations which can be handled as part of the clearance contracts.

Early identification of potential HW is essential. The Region/District Project Development Branch is responsible for developing and maintaining an HW tracking system database; however, Right of Way should assist in any possible way and ensure that the PDT is aware of any suspected HW sites.

Environmental Engineering must give a copy of any reports and cleanup costs to R/W by the time the Certificate of Sufficiency with attached Hazardous Materials Disclosure Document is approved and provided to R/W. This must then be considered in the appraisal of the parcel or the Certificate with attachment must state the parcel is “free” of HW before the appraisal can be approved for acquisition.

#### **7.04.12.03      Hazardous Materials**

Asbestos containing materials (ACMs) and other HMs must be fully considered to ensure property with such HM is not acquired without adequate prior investigation, valuation analysis and clearance abatement. HMs primarily include asbestos, but can include polychlorinated biphenyls (PCBs), lead based paints, etc.

The identification, investigation and evaluation of parcels which may contain HMs must be made early to assure project delivery schedules are met. This early identification requires the appraiser to use common sense and knowledge to identify possible HM-containing property. Once identified, inspections will be performed by licensed, qualified persons, usually contractors hired by contracts awarded under the bidding process either by task order or separate contract.

The property owner must give prior written permission before an inspection can be made.

The inspection will include a determination of:

- A. The type, extent, location, and quantity of ACM (and any other suspected significant HM), within the structure;

- B. Condition of the ACM - friable, nonfriable, stable or deteriorating, etc.;
- C. Identification of and cost of appropriate remedial action(s):
  - 1. Removal
  - 2. Other acceptable steps (encapsulation, etc.)
  - 3. Cost of restoration.

Every improved property will be inspected except:

- A. Residential improvements of one to eight units when:
  - 1. The market approach is the only, or clearly the primary, basis for valuation;
  - 2. Comparable data shares the general characteristics of the subject; and
  - 3. The existing improvements represent the highest and best use of the property;
- B. Improvements constructed entirely after January 1, 1980.
- C. Those improvements constructed with materials which can be easily determined to not contain HMs (example: all-metal storage buildings).

#### **7.04.12.04      HW Site Identification**

This, as well as information on testing and/or cleanup, including a cleanup cost estimate appropriate for fair market value appraisal analysis, should be furnished by Project Development for all parcel appraisals including replacement utility easements to be acquired by the Department. The appraiser may obtain information to assist Project Development in identifying possible HW sites that may have been missed. This includes observing potential problems during the inspection of the subject property. It also includes questioning the owner and lessee about current and past possible HM and possible contamination on the site including underground storage tanks. When previously undiscovered tanks do exist, the appraiser must obtain as much information as possible regarding tank size, age, construction, location, contents, etc.

The appraiser must document observations and discussions with the property owner, lessee or other occupants regarding possible waste problems in the Parcel Diary. This must be passed on to Project Development and the Hazardous Waste Coordinator. (See 7.04.12.05, "Notification.")

As a general guide for appraisers, some present and prior land uses where HW/HM problems may exist are set forth below.

- A. Commercial and industrial sites such as service stations, muffler shops, bulk plants, paint manufacturing companies, machine shops, plating works, dry cleaning plants, chemical and fertilizer companies (which may use or have used solvents, cleaning compounds, catalysts, cutting oils, plating solutions, dyes, paints, or other chemicals);

- B. Junk yards, auto wrecking yards, dumps, or landfills;
- C. Underground or aboveground tanks for storage of liquid hydrocarbons, pesticides or other toxic materials;
- D. Existing buildings with asbestos siding, roofing, ceiling material, floor tiles, fire-proof doors, or insulation on water pipes, heaters, heating ducts, steel framing, etc.
- E. Disposal sumps or pits which may contain agricultural chemicals or industrial wastes;
- F. Utility substations or storage/maintenance facilities, and;
- G. Sites where contamination may have resulted from an adjacent property owner's operation.

**7.04.12.05**      **Notification**

When a suspected HW site has not previously been identified, R/W is to immediately notify Project Development by memorandum with a copy to the Hazardous Waste Coordinator. This memorandum is to give full details as to the appraiser's observations and findings regarding the potential HW problem. The memorandum will request an investigation to determine future actions. If the investigation finds potential HW and testing is necessary, Project Development will hire a consultant to determine the nature and extent of the waste. If testing confirms contamination, Project Development is to furnish the Appraisal Branch with a cleanup cost estimate.

**7.04.12.06**      **Valuation**

Regardless whether the right of way requirement is fee or easement title, the real property will be appraised recognizing the effects of HW and HM on its market value.

A. **HAZARDOUS WASTES** -

The valuation of property that involves an identified HW site will include: 1) The market value of the property as if free and clear of the HW. 2) The market value of the property considering the effects of the HW.

The opinion of market value of a property in its contaminated condition must consider the following:

- Local regulatory agency cleanup requirements.
- Estimated cleanup cost furnished by Project Development.
- Market data involving sales, offers or listings of properties with comparable cleanup problems.
- Marketability of parcels with known HW cleanup problems considering opinions of developers, brokers, lenders, insurers, investors or other informed persons.

- Any other pertinent data, opinions, etc.
- Comparable data verification will at a minimum include the following:
  1. Was site investigation or testing done as a condition of sale? What were the results?
  2. Did the transaction price or terms reflect the results and/or cost of correction?
  3. Was an indemnification agreement to protect the buyer from risks associated with HW/HM a part of the deal?
- If investigation indicates that the property being appraised either originated or caused contamination that has, or may have, also contaminated adjacent property, HQ R/W is to be contacted.
- Adequate comparable data may not be available to directly conclude a fair market opinion of a property in its contaminated condition. In such cases, the alternate appraisal may consider deducting the estimated cleanup cost from the value of the property as if free and clear of the HW. The estimated cleanup cost should reflect what a knowledgeable buyer would reasonably expect to pay in order to utilize the property at its highest and best use. This does not necessarily follow the remedial methods, costs or construction schedule associated with the Department's project. Also, the property's highest and best use could change depending on the nature and extent of contamination and alternate remediation options and costs.
- Analysis must consider the cleanup requirements, for highest and best use, of the local regulatory agency having jurisdiction. Full cleanup may not be required or can be delayed for a certain period of time. Thus, the cleanup estimate as furnished by Project Development may need to be adjusted or discounted to reflect the market value situation.

Appraisals that result in a negative value (cost of HW cleanup exceeds market value of cleared property) will be shown as "\$0."

The existence or absence of possible hazardous waste will be noted on the Appraisal Summary (RW 7-9) in every appraisal by checking "Yes" or "No" after "Possible HW (including underground tanks)." Where possible or confirmed HW problems do exist, a full discussion will be included in the body of the appraisal. This discussion will describe the nature of the problem or suspected problem, regulatory agency cleanup requirements, status of testing or cleanup plans and any other pertinent information, including the impact on market value, if any.

#### B. HAZARDOUS MATERIALS -

The Appraisal Branch must obtain and fully evaluate the impact of ACM, or other HM, before an appraisal report can be approved for acquisition purposes. The Appraisal Branch retains the responsibility for requesting needed inspections on improved properties which were originally excluded from inspection. The appraisal report will document if an inspection was not required.

Appraisals of all improved properties to be acquired will reflect market adjustments for the presence of ACMs or other significant HMs.

Evaluation of improved comparable sales data will, at a minimum, include verification of the following:

1. Was an inspection of the buildings for HWs and/or HMs made as a condition of sale? If “Yes,” what were the results of the inspection?
2. Did the transaction price or terms reflect the results and/or the cost of correction or other HW/HM considerations?
3. Was there an indemnification agreement provided by the seller that affected the property’s sale price by protecting the buyer from liability, risk or exposure associated with a known or possible HW/HM condition?

Valuation will consider the impact of HM on the property. The market may react to the presence of HMs in an improvement on the subject by adjusting the price/terms of the purchase agreement. Dollar adjustments, if any, may be more, less, or equal to the cost of the remedial action to remove, restore, or otherwise mitigate the problem.

The effect of HM on value will vary depending on whether the existing improvements are the highest and best use of the land. Cost of remedial action may change the highest and best use. Further, any remodeling, renovation, repair or modernization which requires disturbance of otherwise dormant HMs in order to achieve or maintain highest and best use must be analyzed. Economic life of improvements may be shortened as a result.

The fact that the Department will incur cleanup costs as part of the right of way clearance process does not necessarily indicate that the market value of the property is affected. In appraisals where the estimated demolition cost of an improvement is being deducted from the market value of a property as if vacant and ready for development, the estimated demolition cost should include the removal of any HMs.

Containerized HMs used in an operation that represents the highest and best use of a property will ordinarily not affect market value — i.e., paint stored in cans in an auto paint shop. On the other hand, containers of HMs that must be removed to utilize a property to its highest and best use may impact market value — i.e., abandoned drums of toxic chemicals on a vacant site.

Following investigation, the existence or absence of HMs will be noted in the appraisal. Where HMs occur, the appraisal discussion will include a description of the materials, their location and condition, any regulatory controls applicable, the effect on the property’s current or future use, present and/or future remediation actions and costs, and the estimated impact on market value.

#### **7.04.13.00      Market Value of Nonprofit, Special Use Properties**

The statutory definition of market value for nonprofit, special use properties is defined by Evidence Code Section 824(a) as:

*“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.”*

These provisions are applicable only if the property meets all four of the following criteria:

1. The subject property is operated for a special, nonprofit use.
2. The operator must have an exempt status with the State or Federal Income Tax offices.
3. The property is not owned by a public entity.
4. There is no relevant, comparable market data.

*“The cost of purchasing land”* is considered to be the estimated cost to acquire an area of sufficient size to conduct the special use. It is not necessary to identify any specific property. The cost should usually be estimated on the basis of typical unit or site prices for a land area with sufficient utility to conduct the use. The geographical area analyzed to arrive at the typical price should be suitable to the special nonprofit use.

*“The reasonable cost of making it suitable for the conduct of the same nonprofit, special use”* should be based on the typical or appropriate factors in the geographical area suitable to the use. There is no requirement to base the cost on a specific site, and there is no requirement that the nonprofit entity relocate in order to be compensated under this method.

*“The cost of constructing similar improvements”* shall be based on the value of reproducing the improvements without taking into consideration any depreciation or obsolescence of the improvements per Evidence Code Section 824(b).

The total sum of these three costs is the market value under this method. It is important to note that Federal participation in acquisition costs is limited in these cases to fair market value as commonly measured on the basis of replacement cost new less depreciation. For accounting purposes, appraisal reports shall include the market value of the subject property using a conventional cost approach (considering any applicable depreciation).

The difference between the two valuations will be a nonparticipating, state-only payment.

Properties of this type may not be acquired often but have potential for significant effects on capital and scheduling, and should be discussed with the Headquarters Appraisal Branch before the owner is contacted and the appraisal begun. All nonprofit, special use property appraisal reports are to be approved consistent with current delegations.

## **7.10.00.00 - REVISION AND REVIEWS**

### **7.10.01.00      General**

Offers may be made only on the basis of approved appraisals or authorized adjustments; therefore, it is imperative that revisions be made without undue delay.

The Region/District shall devise and maintain an efficient procedure for systematic appraisal review for “updating” unclosed parcels in areas where significant new data is revealed.

It is the Acquisition Branch’s responsibility to develop any new data, make an investigation thereof and determine if such new data warrants further review by the Appraisal Branch. When requested, the Appraisal Branch shall investigate the new data and determine the applicability to unacquired parcels. If adjustment is not justified, the Acquisition Branch will be immediately notified.

If significant adjustment is in order, an appraisal revision will be immediately processed so negotiations may proceed without undue delay. Review will be expedited upon request.

### **7.10.02.00      Changes in Unapproved Appraisals Requiring Division Approval**

If a report is returned to the Region/District without action, or a report is approved except for certain parcels, the Region/District will take such corrective action as necessary. A cover letter of transmittal will describe the action taken on the points raised by HQ R/W.

### **7.10.03.00      Changes in Approved Appraisals-Unacquired Parcels**

The contents or valuation of an unacquired parcel appraisal may be changed by one of the following methods, in accordance with current delegations:

- Revised appraisal pages.
- Revised parcel appraisal canceling and superseding an existing appraisal by inclusion in a later report.
- Memorandum of Adjustment.

### **7.10.04.00      Revised Appraisal Pages**

Parcel appraisals may be revised by submitting revised appraisal pages for replacement in the approved report, providing the change can be substantiated without extensive changes in supplemental appraisal pages. The following are examples of cases in which revised appraisal pages may be used:

- A. Mathematical or typographical errors.
- B. A valuation change resulting from an orderly change in price level which can be clearly supported by new comparable data and the original appraisal relied predominantly on a market approach.
- C. The change involves addition or deletion of a subparcel, or parcel split or merger with little change in value factors.

- D. The change involves addition or deletion of minor improvements without effect on the land valuation.
- E. The change involves increase or decrease in right of way requirements or excess with no significant change in damages, benefits, or construction contract work.
- F. The change involves including an alternate appraisal with little change in the valuation of the total property.
- G. The change involves parcel grouping.

**7.10.04.01**      **Submittal of Revised Pages**

Revised pages and maps will be submitted with a memorandum of transmittal detailing the changes. A change in right of way requirement or access control will be approved by the Region/District Division of Design. Revised pages will have the word “Revised” and the revision date shown at the top of all pages. Revised maps, when necessary, will have only the affected parcel(s) colored and will have the word “Revised” and the date visible on the map when both opened and folded. A revised Comparable Data Map is required whenever new comparable data is used. A new Senior Field Review Certificate and a revised Certificate of Appraiser are required whenever there has been a change in the value, improvements affected, or area taken. Minor typographical corrections do not require new Certificates.

**7.10.05.00**      **Revised Parcel Appraisals**

If extensive changes are required, a revised parcel appraisal canceling and superseding the existing appraisal must be submitted. They will be submitted in succeeding reports and will be complete with all necessary information and supporting data.

The Appraisal Summary (RW 7-9) will contain a brief résumé of the reasons for the revision. At the top of the page, show the remark “Revises and Supersedes the Parcel Appraisal in Appraisal Report No. \_\_\_\_\_, Dated \_\_\_\_\_.”

Revised parcels contained in a report with other parcels will be marked “Revised” on the Parcel Summary Page (if used) and on the front cover. In addition, the front cover will show the old Appraisal Report number. Revised parcel appraisals must keep the original parcel number, except that subparcels may be added or deleted.

**7.10.06.00**      **Memorandum of Adjustment**

This method will be used for nonsubstantial valuation adjustments and minor variations which do not warrant revised appraisal pages. The revision may be at the request of the Acquisition Branch or as a result of a subsequent appraisal or discovery of new information and data. Each Memorandum must follow the same approval process as the original appraisal.

If HQ R/W approved the original appraisal, it must approve the Memorandum. If there is not enough time for HQ R/W review and approval due to imminence of trial or possession date, the Memorandum will be prepared and submitted with a detailed discussion supporting the insufficiency of time and the need for the Memorandum. Telephone approval should be obtained and referenced in the Memorandum.

#### **7.10.07.00      Changes in Approved Appraisals on Acquired Parcels**

There are very few occasions where an approved appraisal can be revised after the parcel is acquired and escrow has closed. In certain instances, the Acquisition Branch may find it necessary to amend a Right of Way Contract to correct a situation discovered after close of escrow. Acquisition should direct a memo to Appraisals setting forth the reasons for the amendment and the need for a change in the approved appraisal. Appraisals will then prepare a Memorandum of Adjustment valuing the additional rights taken or damages incurred as if they were part of the original appraisal. The approval process will be the same as the original appraisal.

- A. Additional right of way over a grantor's remainder requires a new appraisal under a new parcel number in a new appraisal report. Legal advice should be obtained concerning the use of before or after condition values in the appraisal of additional requirements.
- B. If no new right of way is required, the Acquisition Branch may nonetheless find it necessary to amend a contract. In such an instance, when related to value, the Appraisal Branch shall, prior to such necessary amendment and at the request of the Acquisition Branch, prepare a Statement of Value, in the same form as a Memorandum of Adjustment, valuing the additional rights taken as part of the original appraisal. Approval of the Statement of Value will be in accordance with the existing delegations.

#### **7.10.08.00      Parcel Splits and Mergers**

Splits or mergers due to change in ownership, or addition and/or cancellation of subparcels, may be submitted by revised appraisal pages or revised parcel appraisals, as the extent of necessary reappraisal requires. Parcel splits will comply with the following instructions:

- A. The original ownership (or one parcel) will retain the original parcel and appropriate subparcel numbers and will be identified as a revised appraisal.
- B. The new ownership will have new parcel and subparcel numbers issued. It will be considered a new appraisal.
- C. The headings of both parcels' Appraisal Summaries (RW 7-9) will cross-reference the other parcel.
- D. Both appraisals will be submitted concurrently if revised appraisal pages are used or in the same report if submitted as revised parcel appraisals.

In parcel mergers (merged after the initial appraisal), the merged parcels will be grouped under the lowest parcel number and appraised as a larger parcel. Originally assigned parcel and subparcel numbers for each parcel will be retained. The parcels will have typed in the upper margin "Revised (date), merges with Parcel \_\_\_\_\_ and supersedes the parcel appraisal in Appraisal Report No. \_\_\_\_\_ Dated \_\_\_\_\_." Revised maps are necessary showing new gross areas, vesting, and correct coloring.

#### **7.10.09.00      Parcel Cancellations**

Parcel appraisals may be canceled for any number of reasons. Typically, Design may change the requirements or the construction date is delayed and the project is no longer budgeted. Prior to cancellation, the Acquisition and RAP Branches must be advised and they must determine that there are no outstanding obligations to the owners or occupants of the property.

#### **7.10.10.00**      **Review of Condemnation Parcels**

Upon written request, the Appraisal Branch will investigate all new data discovered relating to condemnation parcels and will revise affected parcels.

Prior to engaging contract or staff condemnation appraisers, the Acquisition Branch will request the Appraisal Branch to make a review of a condemnation parcel and all pertinent data. Upon receipt of the Confirmation of Market Value request, the Appraisal Branch will issue an appraisal revision with a new date of value and new comparable data, if any, supporting the opinion of value as of the new date. For nonsubstantial valuation adjustments, a Memorandum of Adjustment should be used.

After engaging condemnation witnesses, the staff appraisal would not normally be revised except for mechanical changes (in areas, subparcels, etc.), substantial changes in design, or protracted delays or changes in data which would normally require significant adjustments in witnesses' reports. In these latter two cases, revision of the staff appraisal is optional with the Region/District considering the most cost-effective approach to acquisition.

#### **7.10.11.00**      **Preparation of the Report Analysis for Expert Witness Appraisals**

Preparation of the Report Analysis (7-EX-18) shall be consistent with current appraisal report approval delegations; if the acquisition or loss of goodwill report was approved in Headquarters, then Headquarters will prepare the 7-EX-18. The appropriate Headquarters Appraisal Liaison will complete the exhibit, keep the original to be filed with the corresponding staff report, and forward an electronic copy to the Region/District Supervising Acquisition Agent, with copies to the State's attorney and the Chief of the Office of Project Delivery. (Consistent with R/W Manual Section 9.05.11.00.)

The Report Analysis (7-EX-18) shall include the following:

- **Compliance** – Comment on compliance with applicable reporting and valuation standards. When comparing staff/independent reports, note and explain any significant differences.
- **Value** – Tabulate the major value conclusions in the current staff appraisal, the experts' appraisals, and/or other experts' appraisals received to date in the Analysis Section. If the submission is a revision of a previous appraisal, show both the original and updated amounts. Comment on major differences in value or other important information.

The Appraisal Branch shall neither approve nor disapprove the report. The analysis shall state if the report is in compliance with professional appraisal standards (e.g., the Uniform Standards of Professional Appraisal Practice [USPAP]), in addition to the valuation-related components of Federal and State laws applicable to the acquisition and appraisal of real property rights (e.g., the Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally-Assisted Programs [Uniform Act], California Eminent Domain Law, etc.). The analysis will not contain recommendations as to possible settlement amounts or negotiation approaches.