STATE OF CALIFORNIA • DEPARTMENT OF TRANSPORTATION

# MANUAL CHANGE TRANSMITTAL

RW 0001 (REV. 10/93)

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| XX | R/W MANUAL CHANGE (1993 Edition) | **RWMC- 124** |
| | PROCEDURAL HANDBOOK (1984 Edition) | RWPH-___-___-___ TRANSMITTAL#___ |

| TITLE: | APPROVED BY: | DATE ISSUED: |
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| APPRAISALS | PATRICIA L. JONES | MAY - 5 2003 |
| | | Page 1 of 2 |
| SUBJECT AREA: | ISSUING UNIT: | |
| CHAPTER 7 - APPRAISALS | OFFICE OF APPRAISALS AND LOCAL PROGRAMS | |

SUMMARY OF CHANGES: Revises the Table of Contents for sections, Sections 7.01.00.00, 7.04.00.00, 7.08.00.00, 7.13.00.00, 7.16.00.00; revises Table of Contents for forms, Forms RW 7-5, RW 7-5A, RW 7-5B, RW 7-5C, RW 7-6, RW 7-10, RW 7-13, RW 7-27; adds new Form RW 7-5D; and revises Table of Contents for exhibits and Exhibit 7-EX-14.

## PURPOSE

The purpose of this manual change is detailed below. Formatting update has been applied and general typographical errors have been corrected throughout the attached manual change.

Section 7.01.01.01 is revised to expand the definition of market value for nonprofit, special use property.

Section 7.04.08.00 is revised to include information regarding value enhancement.

Section 7.04.13.00 is revised to add a section on market value of nonprofit, special use properties.

Section 7.08.06.00 is revised to eliminate the information on "Relocation Estimate" and renumber "Items Not Pertaining to Realty Under Section 1263.205," formerly Section 7.08.07.00.

Section 7.08.07.00 is eliminated.

Section 7.13.70.00 is revised to add language regarding public parks being appraised at replacement cost.

Section 7.16.01.00 is revised to clarify that Property Management may prepare residential fair market rent determinations.

Form RW 7-5D, Review Appraiser Certificate, is added.

The following forms have been corrected or updated: (1) RW 7-5, Senior Field Review Certificate; (2) RW 7-5A, Senior Review Certificate; (3) RW 7-5B, Senior Review Certificate - Determination of Just Compensation; (4) RW 7-5C, Senior Field Review Certificate - Excess Lands; (5) RW 7-6, Certificate of Appraiser; (6) RW 7-10, Sales Data; (7) RW 7-13, Excess Property Inventory Valuation; and (8) RW 7-27, Business Goodwill Valuation - Certification of Appraiser.

Exhibit 7-EX-14 is revised to reflect the updated Poster Panel Removal schedules as of January 2003.

Tables of Contents for sections, forms, and exhibits are revised to reflect the changes made to sections, forms, and exhibit.

## 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

| Chapter | Remove Old Page(s) | Insert New/Revised Page(s) |
|---|---|---|
| | Remove the following in its entirety: | Replace the following in its entirety: |
| 7 - Sections | Table of Contents (REV 5/2002) | Table of Contents (REV 4/2003) |
| | 7.01.00.00 (REV 5/2002) | 7.01.00.00 (REV 4/2003) |
| | 7.04.00.00 (Rev. 9/2000) | 7.04.00.00 (REV 4/2003) |
| | 7.08.00.00 (Rev. 1/98) | 7.08.00.00 (REV 4/2003) |
| | 7.13.00.00 (REV 5/2002) | 7.13.00.00 (REV 4/2003) |
| | 7.16.00.00 (Rev. 1/98) | 7.16.00.00 (REV 4/2003) |
| 7 - Forms | Table of Contents (Rev. 3/2001) | Table of Contents (REV 4/2003) |
| | RW 7-5 (REV 9/2002) | RW 7-5 (REV 4/2003) |
| | RW 7-5A (REV 9/2002) | RW 7-5A (REV 4/2003) |
| | RW 7-5B (REV 9/2002) | RW 7-5B (REV 4/2003) |
| | RW 7-5C (REV 9/2002) | RW 7-5C (REV 4/2003) |
| | ----- | RW 7-5D (NEW 4/2003) |
| | RW 7-6 (REV 9/2002) | RW 7-6 (REV 4/2003) |
| | RW 7-10 (REV 9/2002) | RW 7-10 (REV 4/2003) |
| | RW 7-13 (REV 9/2002) | RW 7-13 (REV 4/2003) |
| | RW 7-27 (REV 3/2001) | RW 7-27 (REV 4/2003) |
| 7 - Exhibits | Table of Contents REV 5/2002 | Table of Contents REV 4/2003 |
| | 7-EX-14 (REV 3/2001) | 7-EX-14 (REV 4/2003) |

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# 7.00.00.00 - APPRAISALS

## 7.01.00.00 - APPRAISAL POLICIES AND GENERAL REQUIREMENTS

### 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 nonsignificant 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 DDC-R/W, who may delegate it. The documentation required is the "Determination of Just Compensation." (See Section 7.02.13.00.) The Determination of Just Compensation **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.

49 CFR 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 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.

The subject properties and comparable data shall be viewed in the field and all improvements to be appraised shall be carefully inspected.

The appraisal will be made in accordance with the highest professional methods and ethical standards and with constant regard to the rights of the property owner and citizens of the State. It will be promptly adjusted when new data indicates revisions are appropriate.

## 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 Determination of Just Compensation 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.
3. Preparing Appraisal 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, i.e., 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. 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 File 00-1). 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 Appraisal Requirements

Department policy requires dual appraisal reports for unusually complicated parcels or parcels exceeding $500,000 in value unless a waiver is granted. This amount includes improvements pertaining to realty, severance damages, and construction contract work. This is to ensure the owner receives a fair market value offer and large or complicated appraisals are documented and conclusions supported.

Dual appraisals 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.

Exceptions to this policy are appropriate in specific instances when the safeguards are demonstrated as unnecessary.

### 7.01.07.01 Waiver of Dual Appraisal

Waiver of dual appraisals will only be approved for relatively simple appraisals with adequate supporting data for the value conclusions and ordinarily will not be approved on very high valued parcels.

The Region/District may approve a waiver of the dual appraisal requirement of Section 7.01.07.00 for project appraisals of $500,000 to $1,000,000 when the parcel is not complex or controversial.

The Region/District shall complete a written request for the granting of the waiver. Approval, when granted, will be documented and included in the appraisal. Approval of the waiver shall be at either the Region/District Right of Way Division Chief or the Assistant Chief level, depending on the organizational makeup of the Region/District.

When the request for waiver is granted, the Region/District may approve the single report up to $1,000,000. If, after granting the waiver, the Region/District Right of Way Division Chief determines that the single report does not meet the criteria of non-complex as stated below, approval of the report should be withheld and a second report will be required. If a second report is required, both reports will be submitted to HQ R/W for approval. Having to do the second appraisal at the later date may cause a timing problem for meeting right of way certification dates, therefore, the Region/Districts should be certain at the time of the waiver request that the appraisal problem is, in fact, relatively simple and neither complex nor controversial.

The following are items to consider in determining which parcels are complex or controversial:

- 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.

### 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.

## 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 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 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.

## 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 Chief, 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.

## 7.01.15.02 Review Appraiser Concept

The review appraiser is a unique position whose responsibility include 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 reports directly to the Region/District Right of Way Chief.

## 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, Form RW 7-5D, and Appraisal Title Page - Review Appraiser, Exhibit 7-EX-21B.

C. Dual Appraisal Process

The current process for dual appraisal as stated in 7.01.07.00 and 7.01.07.01 remains the same. The review appraiser duties regarding dual appraisals are as follows:

- Review and concur with all requests for waiver of dual appraisals prior to submitting the request to the Region/District Right of Way Chief.

- When dual appraisals 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.

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 Chief 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 Chief, 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 general "Real Estate Appraiser Certificate" 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

A. 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.

B. Appraisal Reports may contain parcels for both HQ R/W and Region/District approval.

1. Parcels will be arranged in the report in numerical order regardless of approval authority.

2. The Title Page submitted in the report will indicate the number of HQ R/W approved parcels and the number of Region/District approved parcels. Two copies of the Title Page will be submitted and one copy will be returned to the Region/District.

3. The Parcel Summary Sheet will segregate and show subtotals of cost relating to HQ R/W approved and Region/District approved parcels. A total for all parcels included in the Report will also be shown. Include two copies of the Summary Sheet in all Federal-aid project appraisals.

4. Stamp "HEADQUARTERS APPROVED" on the Form RW 7-4 for each parcel which is Headquarters approved.

## 7.01.20.00 Letter of Transmittal

A letter of transmittal is not required for routine submission of Appraisal Reports. A letter is required on resubmission of unapproved Reports or the submission of corrected or revised appraisal pages. In these cases, the letter will briefly summarize the reason for resubmission and corrections made. Sufficient copies of the Transmittal letter shall be forwarded so that duplicate copies may be returned to the Region/District.

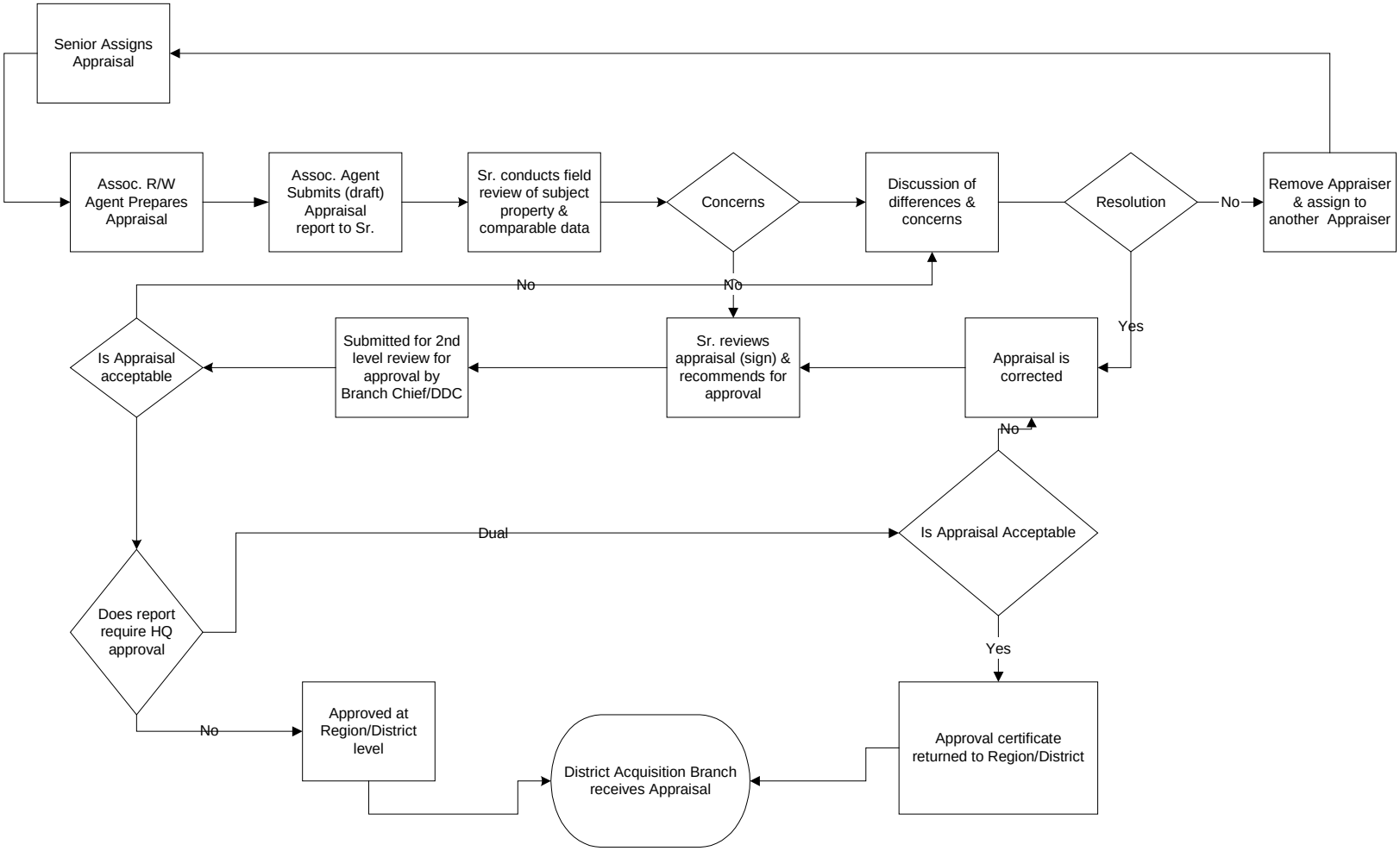
## 7.01.21.00 Tables

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



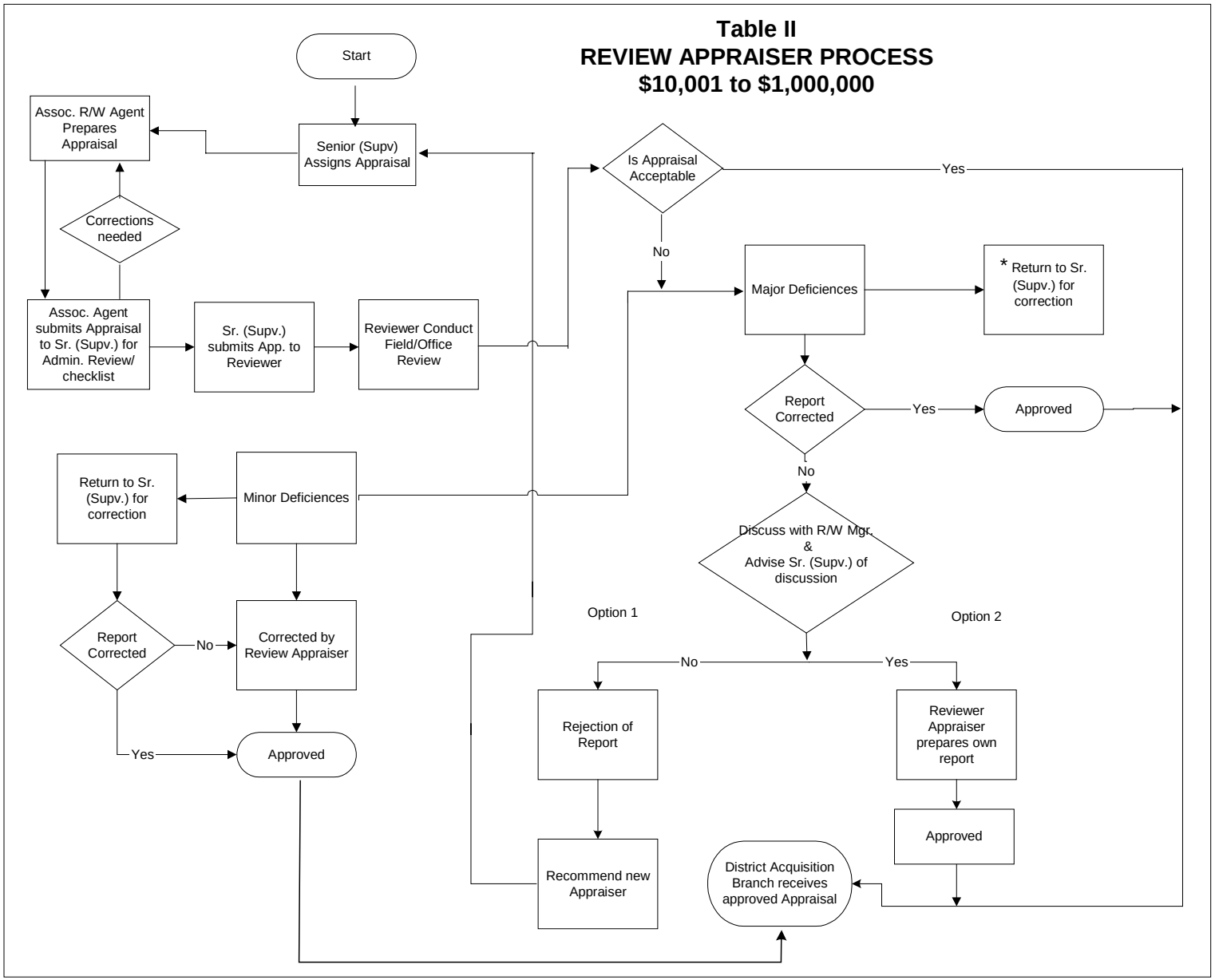


Table II
REVIEW APPRAISER PROCESS
$10,001 to $1,000,000
Start
Senior (Supv) Assigns Appraisal
Assoc. R/W Agent Prepares Appraisal
Corrections needed
Assoc. Agent submits Appraisal to Sr. (Supv.) for Admin. Review/ checklist
Sr. (Supv.) submits App. to Reviewer
Reviewer Conduct Field/Office Review
Is Appraisal Acceptable
Yes
No
Major Deficiences
* Return to Sr. (Supv.) for correction
Report Corrected
Yes
Approved
No
Discuss with R/W Mgr. & Advise Sr. (Supv.) of discussion
Minor Deficiences
Return to Sr. (Supv.) for correction
Report Corrected
No
Corrected by Review Appraiser
Yes
Approved
Option 1
Option 2
No
Yes
Rejection of Report
Recommend new Appraiser
Reviewer Appraiser prepares own report
Approved
District Acquisition Branch receives approved Appraisal

## 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 appraisals, appraisal reviewer recommends approval of such waivers to the Region/District Division Chief.
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 appraisals 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 effect 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 appraisals, reviews both reports regardless of value. Approves both for documentation 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.

# 7.04.00.00 - VALUE CONCEPTS AND CONSIDERATIONS

## 7.04.01.00 Value Basis

Required property rights will be appraised at current 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 Parcel Summary Page.

## 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 Waivers**

A Waiver may be required when a change of grade of an existing street affects a subject property but no other rights are required. In this instance, the remark "Waiver Only" and a nominal value will be shown under the "Land" heading on the Appraisal Page (Form 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 Page (Form 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.)

Project Development may request appraisals for potential "value enhancement" caused by the Department's disposal of access rights. The measure of "value enhancement" 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**

Temporary requirements such as detours will be valued by the loss in utility and desirability of the encumbered area, and other affected portions, for the period needed. This loss may be expressed as a discounted land rental for the period of the loss of owner's actual use of the area. The period of loss may vary considerably. For example: Actual use of a parking lot may be lost only during actual construction. Conversely, the loss may occur for the full term of the agreement if a commercial property is precluded from development or profitable use until the termination date. Describe the basis of valuation and term of loss of actual use. 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 desirability 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 (unit) 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. A partial list is contained in the California Administrative Code (Division 4, Chapter 30, Article 9, Title 22). 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 HW/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 seeing that the Director's policy memorandum dated July 22, 1991 is implemented and complied with 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 from Project Development to Right of Way is to include a narrative certification from the DDC PD that the property can be

   1. considered free of significant HW; or

   2. the Certificate 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 Certificate will state the owner's approved cleanup plans, schedule and current status.

### 7.04.12.02 Certification

Project Development is the lead unit responsible for HW identification, investigation and cleanup on required right of way. Project Development is the primary responsible unit for HW identification, investigation and cleanup prior to construction.

During the early stages of project development, the Region/District Project Development and Environmental units will identify sites or facilities that may be contaminated with HW for further investigation. Note: R/W is a Project Development Team member, and its perspective and functional input and needs on HW parcel issues should begin early in the project development process.

Project Development thereafter administers HW investigations and should furnish resulting parcel report copies and estimated costs to R/W by the time the parcel Certificate of Sufficiency 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 Project Development that the parcel is considered "free" of HWs, 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 Project Development 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 a HW tracking system data base; however, Right of Way should assist in any possible way and ensure that Project Development is aware of any suspected HW sites.

Project Development must administer the HW investigation. It must give a copy of any reports and cleanup costs to R/W by the time the Certificate of Sufficiency is approved and provided to R/W. This must then be considered in the appraisal of the parcel or the Certificate must state the parcel is "free" of HWs before the appraisal can be approved for acquisition.

### 7.04.12.03 R/W HW/Materials Coordinators Activities

The Region/District's R/W HW/Materials Coordinator activities include:

- Determine and communicate R/W's market value inspection needs to Project Development when they are different from the remediation requirements for project construction.

- Identify and track all parcels requiring HM inspections.

- Monitor projects and parcels requiring investigations for completion status per R/W schedule and leadtime requirements.

- Prepare and administer HM inspection contracts.

- Obtain Legal Division coordination as necessary.
- Secure entry approvals from property owners as required for investigations.
- Obtain copies of HW inspection reports and estimated remedial costs and give those reports to the proper R/W functions.
- Approve inspection reports on HM and projected remedial actions and costs.
- Deliver reports in a timely manner.
- The early identification of utility relocation easements to be acquired by R/W so they too may be cleared of potential HW problems.

**7.04.12.04 Hazardous Materials**

Asbestos containing materials (ACM) 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 PCBs, lead based paints, etc.

The identification, investigation and evaluation of parcels which may contain HMs must be made early to assure meeting project delivery schedules. This early identification requires the appraiser to use common sense and knowledge to identify possible HM containing property. Once identified, inspection will have to be made by licensed, qualified persons. 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).

**7.04.12.05 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 "Notification" below.)

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-proofed 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.

**7.04.12.06 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.

## 7.04.12.07 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 market value 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 Page (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 HM 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 HM 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 HM 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 has been modified to add that 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.*"

The new 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.

Compensation for improvements on such property shall be based on "the value of reproducing the improvements without taking into consideration any depreciation or obsolescence of the improvements." The cost of constructing or reproducing similar improvements will usually be the replacement cost new, with no deduction for depreciation or obsolescence.

The total of three costs is the value under this method. In each case where the value is based on the above-described method, a second valuation must be prepared and included in the report. The latter will usually be the market value of the subject property using a conventional cost approach. This is because Federal participation in acquisition costs will continue to be limited in these cases to fair market as commonly measured on the basis of replacement cost new less depreciation, unless the market indicates otherwise.

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. When the appraisal of a nonprofit, special use property is completed under this provision, the report is to be approved by HQ R/W.

**NOTES:**

## 7.08.00.00 - ITEMS PERTAINING TO THE REALTY

### 7.08.01.00 General

Trade fixtures, equipment, machinery and other items installed for use on a property will only be appraised if they are "improvements pertaining to the realty" as defined in Section 1263.205 CCP. These improvements include items that "...cannot be removed without a substantial economic loss or without substantial damage to the property on which it is installed, regardless of the method of installation." The appraiser must compare the value in place against the value if removed and sold.

This decision is a matter of economics. It must be fully documented so the decision can be supported without question. This requires a comparison of the items' depreciated value in place and its salvage value to establish that it cannot be removed "without substantial economic loss." The nature and extent of the damage must be explained.

Whenever a separate valuation of machinery and equipment or other specialty items is required by the Appraisal Branch, it shall be prepared by a qualified individual, either staff or independent. Separate specialty reports shall be prepared in accordance with 23 CFR 720.202(c) and will contain cost sources for each item as shown in Section 7.05.04.00, "Cost Approach."

Independent specialty reports shall be reviewed by a specialist in those Regions/Districts staffed with building cost estimators before distribution to the real estate appraisers. In those Regions/Districts without cost estimators, a Senior assigned to the Appraisal Branch shall review independent specialty appraisals. The specialty reports shall be reviewed to the same degree as is now done on regular realty appraisals before being utilized in establishing the market value of the total property required.

When a separate valuation of trade fixtures, equipment, machinery, and/or other items pertaining to the realty is required, the value of such items shall not be arbitrarily added to the valuation of other realty. It shall be considered to the extent of their contributory value in establishing the value of the whole property. If the specialty appraisal is used to establish the value of the whole, a narrative discussion of the adjustments or lack of adjustments from the values in the specialty report will be included in the appraisal. The appraiser may consider the specialist's factual data, information, and opinions, but the final conclusions of value remain the appraiser's responsibility.

### 7.08.02.00 Appraisal Page Format

Trade fixtures, equipment, machinery, and other items determined to pertain to the realty will be listed on a separate page in the parcel appraisal with the following information:

- Item identification, including make, model and serial number.
- Age (approximate age is sufficient where actual age is not known or is not appropriate due to extensive remodeling).
- Estimated new and remaining service life.
- General condition.
- Replacement cost new in place with cost sources.
- Depreciated value in place.
- Salvage value in place.
- Relocation expense estimate.
- Cost sources of each item and basis of relocation estimate.
- Photographs of major items.
- Comment on which items may be easily moved or utilized in circumstances other than the existing use.

Lessee-owned items will be separately shown. The items' value, relocation estimates, and salvage value totals will be appropriately proportioned between lessee and lessor.

The contributory value in place of trade fixtures, equipment, machinery, and items pertaining to the realty will be carried forward to the Appraisal Page (Form RW 7-9) and entered under the appropriate subheading under "Improvements." In partial acquisitions and alternate appraisals where grantor requests relocation in lieu of purchase and on minor improvements, the relocation estimate amount may be used in lieu of the contributory value in place.

### 7.08.03.00 Replacement Cost

Replacement cost new of equivalent machinery should be shown at catalog price plus freight tax, cartage, and installation costs to yield cost new in place. Freight, tax, cartage, and installation costs should consider installation of the entire operation at one time and not as separately installed items. However, costs should be distributed to individual items when practical. Care should be exercised that specialized plumbing, electrical and structural work is not included in both the building appraisal and the installation charges.

### 7.08.04.00 Depreciated Value

Depreciated value in place is to reflect depreciation due to all causes as related to each item and to the total operation. This should include both physical deterioration, functional obsolescence, and any economic obsolescence. A dollar or percentage breakdown of each type is not necessarily required. The appraiser should state whether the item contains functional obsolescence and provide a reasonable explanation of the depreciation basis.

While depreciation may be attributed to the entire operation, distribution of an estimate of depreciation to each item is desirable, when practical.

### 7.08.05.00 Salvage Value

Salvage value is the price the State would obtain for the equipment in place at auction with the buyer removing the equipment in a relatively short time.

### 7.08.06.00 Items Not Pertaining to Realty Under Section 1263.205

Appraisals of furnished or partly furnished rental homes, duplexes, motels, hotels, or apartment houses need to include an inventory of the items not pertaining to the realty under Section 1263.205 CCP. It should show the total estimated in-place market value. The State may have to purchase these items to prevent eviction of tenants who will be unable to continue their occupancy of the premises if such items are retained and removed by the owner. Items which would not cause the tenants to move from the premises if not purchased by the State are not to be included. The total value of such items not pertaining to the realty is not to be carried forward to the Appraisal Page nor included in the "Market Value of Required Property." This is in contrast to items which do pertain to the realty which shall be carried forward and included in the market value.

Purchase of furniture from vacated homes or homes which are not the permanent residence of the occupants would only be done when the property is purchased long enough in advance of right of way clearance that the State can amortize the cost of the furniture from increased rentals during the time the property will be available for rent.

# 7.13.00.00 - SPECIAL APPRAISAL REPORTS

## 7.13.01.00 General

Some special appraisals shall be prepared in separate Reports. Such Special Reports may have modified formats, and follow modified review and approval processes as discussed below. These Special Reports include appraisals for material and disposal sites; sites for maintenance stations, shops, and offices; joint acquisitions by the California Department of Transportation (Department) and other public agencies; and inverse condemnation actions.

## 7.13.02.00 Material Site Appraisals

If a material site is to be acquired in conjunction with a right of way acquisition, both requirements will be appraised as a whole, and separated into two reports.

The "Introduction" will include economic justification for purchase of the site as compared with the cost of securing the material by royalty agreement. The approximate quantity of material to be taken from the site should be noted. A comparison can then be made as to the equivalent cubic meter cost should the material be secured by materials agreement. The going price for similar material in the vicinity on a metric basis should be indicated. The estimated salvage value of the land after removal operations have been completed shall also be shown.

The format, content and approval process is the same as any other regular acquisition appraisal.

The appraisal will contain the following information:

A. A statement by the Region/District Materials Engineer as to the quantity and quality of the material.

B. The name of the office originating the request (Construction, Project Development or Maintenance).

C. The termini of the project or projects on which the material is to be used.

D. The budget or program in which the project or projects may be found (if there is a specially voted project by the California Transportation Commission, so state and indicate the date of the vote).

E. The average haul distance from the site to the project or projects, or to that portion of the project or projects on which the material is to be used.

F. A statement that the location of the material site does not violate any of the provisions of the Standard Specifications (prohibiting excavation which would result in scars which will present an unsightly appearance from any highway). If the provisions of the Standard Specifications cannot be complied with, a statement must be included to the effect that the Region/District will take such action as is necessary to correct any unsightly appearance.

G. A statement that the location of the material site is not in violation of any ordinance or zoning regulations.

H. Approximate date of termination of use.

## 7.13.03.00 Disposal Site Appraisals

If a disposal site is to be acquired in conjunction with a right of way acquisition, both requirements will be appraised as a whole and separated into two Reports.

The introduction should include the same information as listed for materials sites under 7.13.02 B through H.

## 7.13.04.00 Office and Maintenance Station Site Appraisals

Appraisals of new sites for maintenance stations, shops, or office buildings shall be separate Reports. If the site is to be acquired in conjunction with a right of way acquisition, both requirements will be appraised as a whole even though separated into two Reports. All other appraisals not a part of a right of way project will be in the standard format and content with the same approval process as a regular acquisition appraisal.

## 7.13.10.00 Joint Acquisition Appraisals

The Department may enter into Cooperative Agreements with other public agencies for purchase of property for other public purposes. The date and title of the Cooperative Agreement will be referenced in the Report. The highway requirements and the other agencies' requirements will be shown separately with the appropriate values distributed to each in accordance with the agreement.

The appraisal will assume that all agencies' acquisition and construction occur together and no damages or benefits caused by one shall affect the before value of the other. This does not preclude proper apportioning of damages occurring to remaining property due to specific construction features of one. Similarly, benefits due to the construction project of one agency may be used to offset damages caused by the other.

If the Cooperative Agreement provides for specific proportions for sharing right of way costs, these proportions will be used in the Report and shown on the Appraisal Page.

Legal opinions should be obtained before condemnation of joint acquisitions.

## 7.13.20.00 Protection Appraisals

Potential protection acquisitions require prior approval by Project Development and Construction. Upon receiving authority, the Region/District shall proceed to prepare an appraisal covering this acquisition. The appraisal will be prepared the same as a regular program appraisal but identified as a "Protection" appraisal.

Appraisals submitted for HQ R/W approval must contain a reference to the date of the approval authorizing the protection acquisition. Any special funding approval must also be noted in the Report.

## 7.13.30.00 Appraisals for Other Agencies

Appraisals prepared for other State or Local Agencies will be comparable in format and documentation to that of a staff appraisal for the Department except where the agreement with the agency specifies a different product.

## 7.13.40.00 Staff Litigation Reports

An appraisal for condemnation or inverse litigation testimony shall be of sufficient detail, consistent with legal and professional requirements for format and documentation to present a clear and accurate opinion of value. The staff appraiser will be furnished all data that would be furnished a contract appraiser at the time of the assignment. A Report Analysis Form (Exhibit 7-EX-18) will be prepared. Condemnation appraisals are to be completed at least 60 days prior to the trial date and forwarded to the Legal Division.

If the Legal Division requests preparation of a staff independent appraisal for purposes of inverse litigation, the report will conform to the same standards as a condemnation report, but will show the phrase "Inverse Condemnation Appraisal" on the front cover. A description of the claim will be included.

The following two statements will be included in the Certificate of Appraiser:

A. "This report is pursuant to the request of and for the confidential use by the Legal Division for the purpose of defending the State."

B. "Valuation conclusions are the result of using given legal assumptions for analysis purpose only and in no way imply acceptance or rejection of the validity of the claim to which this report relates."

**NOTES:**

## 7.13.50.00 - UTILITY, RAILROAD AND GOVERNMENTAL OWNERSHIPS

### 7.13.50.01 Public Utility Property

Property owned in fee by public utilities (including governmental utility agencies, irrigation district/regions, and flood control district/regions) may be subject to special appraisal treatment, including the purchase of replacement land for exchange, where necessary. If the public utility and the State have entered into a master agreement at variance with instructions, the master agreement will prevail. In these cases, the title and date of the master agreement will be noted in the appraisal. Appraisers should first confer with the Utility Branch when assigned public-utility owned parcels to appraise.

### 7.13.50.02 Fee Land

A. If joint use of fee-owned property is proposed, the land required for highway use will be appraised at the market value of the underlying fee. This envisions the land utilized by the utility facility has a secondary use. For example, an electric tower line traverses a property. The area under the line may still be used for agriculture, parking or residential plottage.

B. If the State proposes to replace the land in full required by exchange, land value of the fee-owned parcel should be shown as zero (Market Value may be shown in "Remarks"). In "Remarks," describe the location and parcel numbers of the replacement land, if determined.

   When the State is replacing the fee-owned utility right of way with a replacement right of way that is not as wide as the existing utility property being acquired, the valuation approach will be the same as set forth in Section 7.13.60.01 for valuation of railroad operating right of way.

C. If the public utility proposes to acquire the replacement property, the land value should be the market value of the minimum requirements of the replacement property. The basis of the valuation and description of the replacement property must be fully documented in the appraisal.

D. If the public utility proposes to abandon the use of the property without replacement, market value would be paid for the required property considering the property clear of the public utility use. Cost of abandonment and removal of improvements may be covered by utility agreement.

E. Public utility corporation yards, shops, office and other proprietary properties will be valued by normal methods.

### 7.13.50.03 Improvements

Relocation of buildings, equipment, and lines involved in the utility production or transmission will normally be handled by utility agreement and need not be included in the appraisal unless the acquisition or relocation of improvements is proposed for payment under right of way contract.

### 7.13.60.00 Railroad Property General Prerequisites

Appraisals of railroad-owned properties which are not connected with railroad operations do not require special handling, except that they are to be submitted to HQ R/W for review and approval. All appraisals involving railroad-operating properties connected with rights of way, depots, station grounds, or public team tracks, etc., are to be submitted to HQ R/W for review and approval, regardless of the monetary amount involved.

All railroad properties should be valued in the full, narrative format. The Non-Complex Valuation of $10,000 or Less and the Determination of Just Compensation (waiver of appraisal) formats shall not be used. Railroad parcels are not eligible for the one-agent appraise/acquire process.

Proper handling of railroad properties requires a high degree of coordination between numerous departments, including Legal, Structures, Project Development, and Right of Way. The following prerequisites apply:

A. Upon assignment of a railroad property appraisal, the appraiser shall first confer with the Region/District Railroad Agent. The delivery of the Notice of Decision to Appraise letter shall be coordinated through the Region/District Railroad Agent.

B. Railroad appraisals are to be submitted on a construction project basis including all of the takings from the railroad ownership in a single appraisal.

C. Due to extraordinary lead time requirements, operating right of way appraisals must be submitted a minimum of 24 months prior to the project certification date. Single transverse crossings of railroad right of way which do not require substantial relocation of rail facilities are excepted from this requirement and may be submitted one year prior to the certification date. Any other exception to this policy must have prior approval of HQ R/W.

D. The appraisal shall include a general description of the items which are proposed to be covered by a future construction and maintenance agreement or service contract.

E. In all cases where more than a nominal consideration is proposed, the appraisal will include a clear statement describing the property rights held by the railroad in the property being acquired.

## 7.13.60.01 Valuation of Railroad Properties

Takings from railroads may involve complex legal and appraisal problems in determining fair market value. Whenever it becomes apparent that unusual problems exist or there is a problem with defining whether the property is operating or nonoperating right of way, the Region/District should confer with the Region/District Railroad Agent, or if necessary, HQ R/W. In most cases, the following guidelines may be used:

A. Appraisals of Railroad-Owned Lands

1. Operating right of way:

a. Where the State proposes replacement of the required land or facility, the part taken will be assigned a nominal value. A description of the replacement land will be included in “Remarks” and delineated on the Appraisal Maps.

When the State is replacing the operating right of way needed for the project with a right of way that is not as wide as the existing operating right of way, generally, only the portion replaced will be assigned a nominal value. For example, assume the existing operating right of way is 24 meters wide and the State is proposing to convey an 18-meter-wide right of way to the railroad company as the replacement right of way. Under this circumstance, the appraisal will show 18 meters of the existing operating right of way at nominal (because it is being replaced). The remaining width, 6 meters in this example, will then be handled in one of two ways:

1) If the additional width of the existing right of way is required only because of uneven topography (slopes, etc.), it will also be valued at nominal.

2) Otherwise, the additional width will be appraised at market value.

The appraisal report will show as follows (on Form RW 7-9):

| | |
|---|---|
| Total area taken -<br>24 m x 152 m = | 3,648 $m^2$ |
| Area being replaced -<br>18 m x 152 m - (2,736 $m^2$) = | nominal |
| Area not being replaced -<br>6 m x 152 m - (912 $m^2$) @ \$50.00/$m^2$ (market value) = | \$45,600 |
| Est. Total Value = | \$45,600 |

However, if the existing operating right of way is 24 meters wide because of an adverse terrain condition (cut or fill) and the replacement right of way is on level ground thus only requiring 18 meters right of way to replace the utility of the existing operating railroad facility, then the total area being acquired of 3,648 $m^2$ will be assigned a nominal value.

If the railroad company requests that the State acquire and convey a replacement right of way which is wider than their existing right of way to be acquired by the State for the project, then the appraisal will show the extra width at market value to be paid for by the railroad company in the exchange transaction.

The appraisal report will show as follows (on Form RW 7-9):

| | |
|---|---|
| Total area to be acquired -<br>18 m x 152 m = | 2,736 $m^2$ |
| Replacement right of way -<br>24 m x 152 m = | 3,648 $m^2$ |
| Right of way take -<br>18 m x 152 m - (2,736 $m^2$) @ nominal | |
| Replacement area in excess of take-<br>6 m x 152 m - (912 $m^2$) @ \$50.00/$m^2$ (market value) | \$45,600 |
| Total amount to be paid to the State by railroad company | \$45,600 |

However, if the replacement railroad right of way is 24 meters wide because of adverse terrain condition (cut or fill) and the replacement right of way merely replaces the functional utility of the existing operating railroad facility, then the appraisal will show nominal value for an even exchange.

Width with utility will be the criterion. Length and area alone will not.

If the total area of the replacement right of way is different from the total area of the existing operating railroad right of way to be acquired for the project merely because of the different lengths of the two rights of way, the appraisal will be nominal value as stated in the first paragraph of this Section.

b. Where the State does not propose replacement of the required land, the longitudinal takings will be appraised at fair market value. An example of this type of taking occurs when the State is acquiring a longitudinal strip of existing operating railroad right of way and the railroad company is able and willing to continue its operations without any replacement right of way; e.g., the existing right of way is 24 meters wide and the State needs a 6 meter strip for the project and replacement right of way is not required.

c. Where portions of the operating property may reasonably be converted to other uses by minor adjustments of facilities without affecting the railroad service, the taking will be appraised at market value, reflecting the costs of conversion.

d. Transverse crossings require special consideration by the appraiser. Existing California law establishes certain principles regarding the valuation of transverse crossings. The leading case in California establishing those principles is City of Oakland v. Schenck (1925) 197 Cal. 456. The main principle is that the public has the right to construct street crossings for a nominal consideration when the crossing does not interfere with the railroads' use. Information about railroad operations and uses should be obtained through the Region/District Railroad Agent.

   To ensure that transverse crossings are properly valued, the appraiser must be familiar with the following: the easement document, to confirm the rights being acquired; and, the construction in the manner proposed, to determine the impact on the existing and potential uses. Additionally, in the valuation of transverse crossings, the appraiser must ask the following questions: 1. Does the exercise of the rights being acquired unduly interfere with the railroad's use of its operating right of way for legitimate railroad purposes? If the answer is "No," then the value is nominal. If the answer is "Yes," then two additional questions must be answered: 2. What are the reasonably probable uses that are impacted; and, 3. What is the market value of those impacts as measured by the loss in utility and desirability to the remainder? When the State's transverse crossing interferes with legitimate railroad uses, the impact will be reflected in the valuation. Legitimate railroad uses include air or subsurface space, which may be reasonably usable for valuable nontransportation uses or for other transportation uses, and these uses are reasonably probable.

   Merely including the Manual reference in the written appraisal is not sufficient documentation of the valuation. Each transverse crossing must be evaluated as described in the preceding paragraph. When the value of the transverse crossing is nominal, the following statement shall be included in the appraisal:

   > "The appraiser has ascertained that the value of the railroads' right to use the land for legitimate railroad purposes will not be diminished by the required transverse crossing. Because the crossing will not unduly interfere with the railroads' use for legitimate railroad purposes, the compensation is nominal."

   Modification of trackage and other operational appurtenances will be handled by Construction and Maintenance Agreements or Service Contracts.

e. Some transverse crossings may be skewed in relation to the railroad right of way and their design also include areas of longitudinal taking. In such cases, the transverse and longitudinal areas must be segregated and valued appropriately.

f. Longitudinal takings that cross existing structural transverse easements will be appraised at market value. The effect on land uses or values because of the existing highway-railroad grade separation structure, within the new longitudinal easement area, will not be considered in estimating the market value of the longitudinal taking. The reasoning behind this premise is that if the original transverse crossing easement was obtained at no cost to the State and provided no benefit to the railroad, the new longitudinal taking should be paid for by the State.

2. Nonoperating railroad lands:

Land considered to be in excess of the railroad's present or future operating needs will be appraised at market value. Where the property is not capable of independent use or development, the appraiser should consider any potential use of the property as plottage or joinder with the adjacent properties.

B. Appraisals of Railroad-Owned Improvements

1. Railroad improvements being acquired without replacements or relocation and lessee-owned improvements on railroad properties will be valued using normal appraisal methods, with depreciation and salvage value given full recognition. Improvement valuation shall not include trackage.

2. Improvements which are to be relocated or replaced under the terms of a construction and maintenance agreement will be described and assigned a zero value.

3. Trackage will be handled by construction and maintenance agreement or service contract.

## 7.13.70.00 Governmental, Indian, Functionally Replaced Publicly Owned Facilities, and State Land

A. Federal public lands, including national forests, will be appraised at zero land value, unless the Region/District believes land value may become an issue during acquisition. In this event, the land is to be appraised and shown at market value.

B. Federal military reservations and Federal reservoirs, canals, and flood control channels will normally be appraised at zero land value unless the Region/District believes value may become an issue during acquisition. In this event, the land is to be appraised and shown at market value.

C. Federal General Services Administration properties will usually be appraised at market value. There may be circumstances where the property will be conveyed at zero value if the use as a highway is compatible and a benefit to the Federal facility.

D. State School Lands will be appraised at market value.

E. Proposed acquisitions of public parks will be appraised at replacement cost. Per the Public Park Preservation Act of 1971, the acquiring entity pays sufficient compensation, or land, or both, to enable the operating entity to replace the park land and the facilities thereon. Ballantine's Law Dictionary defines "park" as a "tract of land acquired by a city, town, or other public authority, for ornament, and as a place for the resort of the public for recreation and amusement."

The substitute land should be of comparable characteristics and of substantially equal size, located in an area that would allow for use by generally the same persons who used the existing park land and facilities. The cost will include the land and the cost of development into park land, including placing of substitute facilities thereon. See Sections 5400 through 5409 of the California Public Resources Code.

F. Indian tribal and allotted lands will normally be conveyed as easement title only and will therefore be appraised at market value less one dollar.

G. All other federal, state, county, special district, school district, and city lands will be appraised at market value except:

1. If State will purchase the replacement property and functional replacement of improvements is proposed, and the owning agency has waived its right to have an estimate of compensation for the acquisition parcel established by the appraisal process in preference to functional replacement, the subject acquisition parcel will be valued at zero value. It will be necessary that there be compliance with all provisions of 23 CFR 710.509, et seq. (See Acquisition Chapter 8 and Exhibit 8-EX-34.)

   The parcel numbers of the replacement land will be noted if available and the valuation basis discussed. The market value of the subject land will be included for information in "Remarks."

   It will always be necessary for the Appraisal Branch to supply cost-estimate data for the acquisition property. These data are for inclusion in the submittal to FHWA seeking their concurrence in functional replacement. This will normally occur during the project-development stage of a project.

2. If acquisition of replacement property by the governmental agencies is proposed, the value of the minimum requirements of the proposed replacement property may be used as land value of the subject. The basis of valuation and description of the replacement property will be fully documented in the appraisal. The market value of the subject land will be included for information in "Remarks."

   These instructions do not preclude donation, dedication, consent to joint use, or transfer of possession and control, without consideration, from any public agency to the Department for highway purposes.

   City streets and county roads closed by freeway agreement will not be valued except as to the underlying fee for adjacent properties, if separate valuation of the underlying fee is necessary. Normally, the underlying fee is valued at $1 because the public has full control over the surface use and the only rights the underlying fee owner has is one of a reversion. See Section 83 of the S&H Code.

# 7.16.00.00 - RENT DETERMINATION

## 7.16.01.00 General

A fair market rent determination is an estimate of the amount of rent which a parcel would command in the open market, if offered under the terms and conditions typical of the market for similar properties. The fair rent for property for which there is no relevant market shall be estimated by any reasonable method that is fair and equitable. The justification for use of such method and a full explanation of the rationale on which the method is based will be set forth. The following process will be followed for both residential and nonresidential fair market rent determinations. Property management may prepare the residential fair market rent determinations in accordance with Right of Way Manual Sections 11.04.02.00, 11.05.01.00, and 11.06.02.00.

The Appraisal Branch prepares, reviews, and approves fair market rent determinations for all nonresidential properties except as noted in Chapter 11 Property Management.

This service is provided upon written request from Property Management. These requests should be scheduled so as to give Appraisals as much lead time as possible, and will include the following information:

- A map of the property.
- Parcel number, county, route, and post mile (P.M.); kilometer post (KP) and property address.
- Improvements that belong to the tenant and should be excluded from consideration.
- Special items on the property, such as machinery or equipment. An inventory should be available if needed.
- Whether construction of improvements on the property will be permitted.
- Term of the proposed lease and estimated length of time property will be available for rent.

Rent determinations will be updated upon written request from Property Management.

Rent Determinations will be rounded to the nearest $10.00. (Example: A fair market rent estimate of $545 will be rounded to $550.)

## 7.16.02.00 Content

Fair market rent shall be based on the most reasonable highest and best use, taking into consideration the term of the State's proposed lease. Other appropriate market-related factors shall also be considered in the rent determination.

The rent determination will be a specific estimated fair market rent. It will be based on current rents being paid in the area for comparable property. An analysis of the comparable rental and other market data supporting and leading to the appraiser's conclusion of fair market rent must be included in the report. The amount of analysis, number of comparables used, and the degree of documentation required should be in proportion to the value of the property to be rented.

Property Management will use the rent determination as a bench mark from which to reach the actual rental rate. This latter rate will be arrived at after any special adjustments which may be appropriate to that function's operation. It is important that the appraiser clearly indicate those items for which adjustments were made in arriving at the market rent.

Individual Rental Comparable Data Sheets shall be used, and should include the following information:

- Property identification
- Property description
- Condition and effective age of improvements, if any
- Use
- Rental rate, including escalation rate, if any
- Date rental rate established
- Terms, including who pays utilities, taxes, and insurance and any other recurring expenses
- Period of lease
- Names of data source
- Names of owner and tenant, if pertinent

All fair market rent determinations will include parcel maps. Improved properties will include pictures showing the improvements. In addition, an index map, comparable data map, and comparable data pictures are required for all rent determinations where fair market rent is $1,500 per month or more. These latter three items are optional in Region/District approved rent determinations.

Rent determinations requiring HQ R/W approval will be submitted with a transmittal page (two copies) showing county and route, parcel number, and date of value. It will include the required signed recommendations for approval.

### 7.16.03.00 Review and Approval Process

The Review and Approval process is discussed in Section 7.01.16.00. The Senior who reviews and recommends the fair market rent determination cannot execute the resulting lease on the same parcel.

### 7.16.04.00 Special Circumstances

Occasionally, there will be requests for rent determinations for specific uses. In many cases, the property is already rented for some use consistent with the constraints the Department has imposed. This existing use may not be the most reasonable highest and best use. If the appraiser's analysis indicates there is a significant difference between the existing use and the most reasonable highest and best use, this should be pointed out in the report. Both a statement of the most reasonable highest and best use, and an estimate of the fair market rent under this use will be included. This will be in addition to the rent determination for the specific use as requested.

An example of this is a parcel which has a highest and best use as a parking lot. For special reasons, it may not be feasible or practical to raze the existing improvements and put it to this use. A request for a rental determination on the parcel as improved is appropriate, provided the most reasonable highest and best use is cited and the estimated fair market rent, on this basis, is also included.

## 7.16.05.00 Nominal Value Nonresidential Rentals

Many properties cannot be rented for more than nominal rental rates because of size, irregular shape, and/or location. Nominal rental for this purpose is defined as $1,200 per year ($100 per month) or less.

At the Region/District's option, the Appraisal Branch staff or the Property Management Branch staff may be used for rent determinations on nominal value nonresidential rentals.

In these cases, only a short letter-type appraisal is required. It should identify and describe the parcel, and summarize the data and analysis that leads to the appraiser's conclusion of fair market rent. The nominal rental conclusion should be stated as a specific rental amount. A map of the appraised property is required (8½″ x 11″ print is sufficient); photographs are recommended.

The rent determination should include a signed statement that the appraiser has personally viewed and inspected the parcel. The determination should also be signed by the function's Senior.

**NOTES:**

# CHAPTER 7

## Appraisal Procedure
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### FORMS


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STATE OF CALIFORNIA • DEPARTMENT OF TRANSPORTATION

# SENIOR FIELD REVIEW CERTIFICATE

RW 7-5 (REV 4/2003)

| REG/DIST | CO | RTE | KP (P.M.) | EXP AUTH | AR # |
|---|---|---|---|---|---|
| | | | | | |

## SENIOR FIELD REVIEW CERTIFICATE

1. I have personally viewed all subject parcels and all comparable data and am satisified with the relative comparability noted.

2. The highest and best use of each property, as shown in the report, is reasonable and proper.

3. Gross Income Multipliers ☐ are supported with factual data. ☐ Not applicable.

4. The Cost Approach is ☐ supported by data from recognized sources. ☐ Not applicable.

5. The Income Approach to value, including the interest rates, is ☐ supported by data from the market. ☐ Not applicable.

6. Damages, Benefits and Construction Contract Work are ☐ correct and are supported in accordance with existing instructions. ☐ Not applicable.

7. The amount listed for each parcel in the certificate is the market value amount approved or recommended for approval to govern negotiation and settlement.

8. I understand that the approved value may be used in connection with a Federal-Aid highway project.

9. I have no direct or indirect, present or contemplated future personal interest in such property or in any benefit from the acquisition of such property appraised.

10. The amount recommended for approval is not a directed amount; it was arrived at fairly, without coercion, and is based on appraisals and other factual data of record.

Parcel No. Appraised Value

_____ _____

DATE

**ADA Notice** For individuals with disabilities, this document is available in alternate formats. For information call (916) 654-5413 Voice, CRS: 1-800-735-2929 or write Right of Way, 1120 N Street, MS-37, Sacramento, CA 95814.

STATE OF CALIFORNIA • DEPARTMENT OF TRANSPORTATION

# SENIOR REVIEW CERTIFICATE

RW 7-5A (REV 4/2003)

| REG/DIST | CO | RTE | KP (P.M.) | EXP AUTH | AR # |
|---|---|---|---|---|---|
| | | | | | |

## SENIOR REVIEW CERTIFICATE

1. I have not personally inspected the subject property nor the comparable data. I have read this report and I am satisfied with the relative comparability noted. I am familiar with the subject property neighborhood and general area and I have relied upon the photographs and exhibits in this report in analyzing and concurring in the conclusions contained herein.

2. The highest and best use of each property, as shown in the report, is reasonable and proper.

3. Gross Income Multipliers are ☐ supported with factual data. ☐ Not applicable.

4. The Cost Approach is ☐ supported by data from recognized sources. ☐ Not applicable.

5. The Income Approach to value, including the interest rates, is ☐ supported by data from the market. ☐ Not applicable

6. Damages, Benefits and Construction Contract Work are ☐ correct and are supported in accordance with existing instructions. ☐ Not applicable

7. The amount listed for each parcel in the certificate is the market value amount approved or recommended for approval to govern negotiation and settlement.

8. I understand that the approved value may be used in connection with a Federal-Aid highway project.

9. I have no direct or indirect, present or contemplated future personal interest in such property or in any benefit from the acquisition of such property appraised.

10. The amount recommended for approval is not a directed amount; it was arrived at fairly, without coercion, and is based on appraisals and other factual data of record.

Parcel No. Appraised Value

_____ _____

DATE

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STATE OF CALIFORNIA • DEPARTMENT OF TRANSPORTATION

# SENIOR REVIEW CERTIFICATE - DETERMINATION OF JUST COMPENSATION

RW 7-5B (REV 4/2003)

| Reg/Dist | Co | Rte | KP (P.M.) | Exp Auth | AR # |
|---|---|---|---|---|---|
| | | | | | |

## SENIOR REVIEW CERTIFICATE - DETERMINATION OF JUST COMPENSATION

1. I (have) (have not) personally inspected the subject property and comparable data. I have read this report and I am satisfied with the relative comparability noted. I am familiar with the subject property neighborhood and general area and I have relied on photographs and exhibits in this report in analyzing and concurring with the conclusions contained herein.

2. The highest and best use of each property, as shown in the report, is reasonable and proper.

3. Gross Income Multipliers are ☐ supported with factual data. ☐ Not applicable.

4. The Cost Approach is ☐ supported by data from recognized sources. ☐ Not applicable.

5. The Income Approach to value, including the interest rates, is ☐ supported by data from the market. ☐ Not applicable.

6. Damages, Benefits and Construction Contract Work are ☐ correct and are supported in accordance with existing instructions. ☐ Not applicable.

7. The amount listed for each parcel in the certificate is the amount approved to govern negotiation and settlement.

8. I understand that the approved amount may be used in connection with a Federal-Aid highway project.

9. I have no direct or indirect, present or contemplated, future personal interest in such property or in any benefit from the acquisition of such property.

10. The amount approved is not a directed amount; it was arrived at fairly, without coercion, and is based on a review of relevant data.

Parcel No. Determination of Just Compensation

_____ _____

DATE

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STATE OF CALIFORNIA • DEPARTMENT OF TRANSPORTATION

# SENIOR FIELD REVIEW CERTIFICATE - EXCESS LANDS

RW 7-5C (REV 4/2003)

| Reg/Dist | Co | Rte | KP (P.M.) | Exp Auth | AR # |
|---|---|---|---|---|---|
| | | | | | |

## SENIOR FIELD REVIEW CERTIFICATE - EXCESS LANDS

1. I have personally viewed all subject parcels and all comparable data and am satisfied with the relative comparability noted.

2. The highest and best use of each property, as shown in the report, is reasonable and proper.

3. Gross Income Multipliers are ☐ supported with factual data. ☐ Not applicable.

4. The Cost Approach is ☐ supported by data from recognized sources. ☐ Not applicable.

5. The Income Approach to value, including the interest rates, is ☐ supported by data from the market. ☐ Not applicable.

6. The amount listed for each parcel in the certificate is the market value amount approved or recommended for approval to govern negotiation and settlement.

7. I understand that such Excess Lands transactions may be a part of a Federal-Aid highway project.

8. I have no direct or indirect, present or contemplated, future personal interest in such property, nor will I derive any benefit from the resulting Excess Lands transaction.

9. The amount approved is not a directed amount; it was arrived at fairly, without coercion, and is based on a review of relevant data.

Excess Lands Parcel No. Appraised Value

DATE

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STATE OF CALIFORNIA • DEPARTMENT OF TRANSPORTATION

# REVIEW APPRAISER CERTIFICATE

RW 7-5D (NEW 4/2003)



| REG/DIST | CO | RTE | KP (P.M.) | EXP AUTH | AR # |
|---|---|---|---|---|---|
| | | | | | |

1. I ☐ have ☐ have not personally viewed the subject parcel(s), the comparable sales and the listings contained in the report. I am satisfied with the relative comparability noted.

2. The highest and best use of the property(s), as shown in the report is reasonable and proper.

3. Gross income multipliers are

   ☐ supported with factual data
   ☐ are not applicable

4. The cost approach is

   ☐ supported with data from recognized sources
   ☐ is not applicable

5. The income approach

   ☐ including the capitalization rate, is supported by data from the market
   ☐ is not applicable

6. Damages are

   ☐ correct and supported in accordance with existing instructions
   ☐ are not applicable

7. Benefits are

   ☐ correct and supported in accordance with existing instructions
   ☐ not applicable

8. Construction contract work is

   ☐ correct and supported in accordance with existing instructions
   ☐ is not applicable

9. The amount listed for each parcel in the certificate is the market value amount approved or recommended for approval to govern negotiation and settlement.

10. I understand that the approved value may be used in connection with a Federal highway project.

11. I have no direct or indirect, present or contemplated future personal interest in such property or in any benefit from the acquisition of such property appraised.

12. The report has been made in conformity with the appropriate Federal and State laws, regulations, and policies and procedures applicable to the appraisal of right of way.

13. That to the best of my knowledge no portion of the value assigned to each property contained in the report consists of items, which are non-compensable under established laws of the State of California.

14. That my salary/compensation is not contingent upon developing or reporting predetermined results.

15. That I believe the information contained in the appraisal report is accurate, but I assume no responsibility for its accuracy.

16. That the amount approved or recommended for approval for each parcel is not a direct amount, but was arrived at fairly without coercion and is based on appraisals and other factual data of record.

17. That any typographical, grammatical, or minor mathematical errors remaining in the report were not considered to either materially affect the concluded value or to mislead the reader in understanding the report and the conclusions contained therein.

18. That the requirements of the Right of Way Manual have been met as evidenced by the Appraisal Checklist, which is attached hereto.

19. That the values expressed in the appraisal report

☐ were not changed in any manner
☐ were changed as specified in the attached Review Appraiser report.

As the District/Region Review Appraiser, I hereby ☐ approve ☐ recommend for approval the following parcels for acquisition use:

| PARCEL NO. | APPRAISED VALUE |
|---|---|

_____
REVIEW APPRAISER
RIGHT OF WAY DIVISION
DISTRICT/REGION ____

Date _____ Signature _____

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STATE OF CALIFORNIA • DEPARTMENT OF TRANSPORTATION

# CERTIFICATE OF APPRAISER

RW 7-6 (REV 4/2003)

| DISTRICT | EA | AR No. |
|---|---|---|
| | | |

*I Herby Certify:*

That I have personally inspected the property herein appraised and that the property owner has been afforded an opportunity to be present at the time of the inspection. A personal field inspection of the comparable sales relied upon in making said appraisal has also been made. The subject and the comparable sales relied upon in making said appraisal were as represented by the photographs contained in said appraisal.

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

That I understand that such appraisal is to be used in connection with the acquisition of right of way for a highway to be constructed by the State of California with the assistance of Federal-aid highway funds, or other Federal funds.

That such appraisal has been made in conformity with the appropriate State laws, Title VI of the 1964 Civil Rights Act, and regulations, policies and procedures applicable to appraisal of right of way for such purposes; and that to the best of my knowledge no portion of the value assigned to such property consists of items which are noncompensable under the established law of said State.

That neither my employment nor my compensation for making this appraisal 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 the acquisition of such property appraised.

That I have not revealed the findings and results of such appraisal 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_____ included in this report and made a part hereof by reference, as of the_____day of _____ ,20 ____ , is $_____; and that such conclusion was derived without collusion, coercion or direction as to value.

_____

(Signature)

_____

Date

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## INSTRUCTIONS FOR COMPLETION OF THE CERTIFICATE OF APPRAISER

The form contains the following blanks requiring completion:

That my opinion of the total fair market value ____(1)____ included in this report and made a part hereof by reference, as of the __(2)__ day of _____ , 20___ , is $_____ ; and that such conclusion was derived without collusion, coercion or direction as to value.

_____
(Signature)

_____(3)_____
(Date)

They are completed as follows:

(1) a. If the certificate accompanies a new appraisal, include the phrase "as shown on the parcel summary sheet".
b. If some parcels are being updated and other parcels are not, include the phrase "of parcels_____ ". (Insert updated parcel numbers only.)
c. If a revision or addition of a new subparcel is made without the benefit of new data, use the phrase "of parcels _____ ". (Revised or new subparcel numbers only.)

(2) a. Show the date of valuation: e.g., the date of the last inspection, the date of possesion when a Right of Entry is obtained, the date specified by Court, etc.
b. Revised appraisals should refer to the date of the opinion of fair market value, based on comparable sales or other data. This should not be the date of the revision if no new data was obtained.

(3) Enter the date the Certificate is executed.

(Revisions)

The certificate should indicate a revised value only for those parcels being reappraised. A new date of value need not be included on the Certificate if a minor change is involved and prior appraised unit values are projected for the revised taking.

STATE OF CALIFORNIA • DEPARTMENT OF TRANSPORTATION

# SALES DATA

RW 7-10 (REV 4/2003)

Parcel:

APN:

Grantee:

Grantor:

Date Recorded: Book: Page:

Approximate Date of Price Agreement:

Sales Price & Terms: $ DTT: $

Remarks:

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## INSTRUCTIONS FOR COMPLETION OF THE SALES DATA PAGE

A Sales Data Page will be included for each change of vesting in the five years preceding the appraisal and will include the following data:

1. Grantor and grantee's names.
2. Recording information, including date and record reference.
3. Approximate date of price agreement.
4. Sales price and terms.
5. Amount of Documentary Transfer Tax.
6. Remarks
   a. Information on buyer and seller motives.
   b. Commentary on whether the buyer and/or seller had knowledge of the proposed construction and the effect it had on purchase price.
   c. How the purchase price was determined.
   d. Explain any difference in appraised value and sale price.
   e. A brief resume of investigation attempts and results should be included if the required information could not be obtained.
7. After the earliest change of vesting, add the remark *"There were no other sales in the five years preceding the date of this appraisal."*

This page is not required for sales of portions of the subject ownership outside of the right of way.

STATE OF CALIFORNIA • DEPARTMENT OF TRANSPORTATION

# EXCESS PROPERTY INVENTORY VALUATION

RW 7-13 (REV 4/2003)

| REPORT NUMBER | DATE | REG/DIST | CO | RTE | KP (P.M.) | EXP AUTH | PARCEL NUMBER |
|---|---|---|---|---|---|---|---|
| | | | | | | | |

(For Inventory Purposes Only)

Value of Excess as Part of Entire Property: $ _____

Land: _____ @ $ _____ $ _____

Imps.: $ _____

Value of Excess After the Taking: (Inventory Value) $ _____

Land: _____ @ $ _____ $ _____

Imps.: $ _____

Description of After Condition; reason for proposed purchase; explanation of Inventory Value:

Method of Valuation and Comparable Data (if any):

Note: To Acquisition Agent: If this excess has not been appraised as a partial acquisition and if Grantor desires to retain this excess, request Appraisal Section review of valuation and documentation prior to offer.

**ADA Notice** For individuals with disabilities, this document is available in alternate formats. For information call (916) 654-5413 Voice, CRS: 1-800-735-2929, or write Right of Way, 1120 N Street, MS-37, Sacramento, CA 95814

STATE OF CALIFORNIA • DEPARTMENT OF TRANSPORTATION

# BUSINESS GOODWILL VALUATION - CERTIFICATION OF APPRAISER

RW 7-27 (REV 4/2003)

| DISTRICT | E.A. | AR NO. |
|---|---|---|
| | | |

*I Hereby Certify:*

That I have personally inspected the business property herein appraised and that the business owner has been afforded an opportunity to be present at the time of the inspection.

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

That I understand that such appraisal is to be used in connection with the acquisition of right of way for a transportation project to be constructed by the State of California with the assistance of Federal-aid highway funds or other Federal funds.

That such appraisal has been made in conformity with the appropriate State laws, Title VI of the 1964 Civil Right Act, and regulations and policies and procedures applicable to goodwill appraisals and that to be the best of my knowledge no portion of the value assigned to such business consists of items which are noncompensable under the established law of said State.

That neither my employment nor my compensation for making this goodwill appraisal is in any way contingent upon the values reported herein.

That I have no direct or indirect present or contemplated future personal interest in such business.

That I have not revealed the findings and results of such appraisal to anyone other than the proper officials of the California Department of Transportation or officals 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 compensable loss of goodwill _____ included in this report and made a part hereof, as of the _____ day of _____, 20_____ is $_____ , and that such conclusion was derived without collusion, coercion or direction as to value.

_____
(Signature)

_____
(Date)

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# CHAPTER 7

# Appraisal Procedure
# Table of Contents

## EXHIBITS


| Exhibit No. | Title |
|---|---|
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| 7-EX-2 | Summary of Comparable Data |
| 7-EX-3 | Documentation of Economic Rent |
| 7-EX-4 | Final Reconciliation Summary |
| 7-EX-5 | Cost Approach - Cost New Less Depreciation |
| 7-EX-6 | Summary of Damage Alternatives |
| 7-EX-7 | Rental Schedule and Unit Inventory (Residential) |
| 7-EX-8 | Building Check Sheet |
| 7-EX-9 | Commercial Industrial Building Record |
| 7-EX-10 | Appraisal of Outdoor Advertising Site Value |
| 7-EX-11 | Memorandum Requesting Sign Board Information |
| 7-EX-12 | Claim for Reimbursement [Existing Outdoor Advertising Painted Bulletin or Special Build Structure (Schedule B)] |
| 7-EX-13 | Estimate of Relocation Cost [Special Builds, Painted Bulletins, and Urban Rotate Bulletins] |
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| 7-EX-15 | Excess Land Public Sale Estimate |
| 7-EX-16 | Memorandum – Market-Value Determination |
| 7-EX-17 | Notice of Decision to Appraise |
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| 7-EX-18 | Report Analysis |
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| 7-EX-21 | Appraisal Title Page |
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| 7-EX-22 | Appraisal Checklist |
| 7-EX-23 | Appraisal Transmittal Letter |

## SCHEDULE A - ENGLISH UNITS

### PAYMENT SCHEDULE FOR POSTER PANEL REMOVAL

| | Unilluminated | Illuminated |
|---|---|---|
| Straight Single Poster Panel | $14,414 | $15,626 |
| Offset Single Poster Panel | 15,612 | 16,856 |
| Straight Double Poster Panel | 17,499 | 19,403 |
| Offset Double Poster Panel | 18,719 | 20,631 |
| Roof Top Poster Panel | | 20,957 |

Adjustments:

1. For single signs on wood structures, deduct $1,367.

2. For back-to-back signs on wood structures, deduct $1,657.

## SCHEDULE B - ENGLISH UNITS

### SCHEDULE FOR SIGN PAYMENT BASED ON ITEMS OF DIRECT COST

| | |
|---|---|
| Labor | Equipment |
| Materials | Permits |
| Materials Handling | Outside Engineering |

The cost of rotating sections shall be excluded in computing the direct costs of Urban “Rotate” Bulletins.

## SCHEDULE C - ENGLISH UNITS

### PAYMENT SCHEDULE FOR RELOCATING POSTER PANELS ONTO ADJACENT PROPERTY

| | Unilluminated | Illuminated |
|---|---|---|
| Straight Single Poster Panel | $10,092 | $10,942 |
| Offset Single Poster Panel | 10,925 | 11,807 |
| Straight Double Poster Panel | 12,254 | 13,580 |
| Offset Double Poster Panel | 13,109 | 14,447 |
| Roof Top Poster Panel | | 14,669 |

**SCHEDULE D - ENGLISH UNITS**

**PAYMENT SCHEDULE FOR URBAN "ROTATE" BULLETINS**

| | |
|---|---|
| Single Face | $69,873 |
| Double Face | $87,666 |

ADJUSTMENTS

Wood Structures

If the sign is constructed of wood, deduct 10 percent from the scheduled amount.

Poster Panel Back-ups

For each standard 12′ x 25′ poster panel reverse facing, add:

| | |
|---|---|
| if unilluminated | $7,186 |
| if illuminated | $7,842 |

Painted Bulletin Back-ups

For painted bulletin reverse facings that are less than the standard size of the front facing, multiply the square foot area of the back-up by 50 percent of the appropriate square foot figure shown in the "Good" category from Schedule E.

Roof Top Urban "Rotate" Bulletins

Roof Top Urban "Rotate" Bulletins should be valued under Schedule B.

Embellishments

No adjustments in payment will be made for embellishing features, special lighting effects, freestanding letters, or space extensions over the standard advertising panel.

**SIGNBOARD DEPRECIATION SCHEDULE**
**FOR USE WITH SCHEDULES E AND F - ENGLISH UNITS**

| CATEGORY | DESCRIPTION |
|---|---|
| Good | A sign will fall into this category when it is expected to have a remaining life of five or more years, the structure supporting the advertising panel is basically sound and the condition of the advertising copy is new or maintained in a reasonably good condition. The structure may show weathering and wear and tear curable with normal maintenance. |
| Fair | A sign in this category is one which extensive repair or replacing of uprights, stringers or metal parts is required because of deferred maintenance beyond that which is normal in the advertising business in the area or on which the copy is badly faded, blank or painted out. The sign is expected to have a remaining life of five or more years. |
| Poor | Signs in this category are those in an unsound condition when severe deterioration is evident, or it is apparent that the remaining life of the sign will not extend beyond five years because of imminent development on the property or adjacent property, or because of obstruction of view by growth of trees or shrubbery from the sign site. |

# POSTER PANEL REMOVAL (English Units) (Cont.)

(Form #)

## SCHEDULE E - ENGLISH UNITS
## PAYMENT SCHEDULE FOR PAINTED BULLETINS

| Structure | | WOOD CONSTRUCTION | | | | | | STEEL CONSTRUCTION | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | UNILLUMINATED | | | ILLUMINATED | | | UNILLUMINATED | | | ILLUMINATED | | |
| Category* | Area in Sq Ft | 1 to 100 | 101 to 300 | 301 and Larger | 1 to 100 | 101 to 300 | 301 and Larger | 1 to 100 | 101 to 300 | 301 and Larger | 1 to 100 | 101 to 300 | 301 and Larger |
| Good | $ Per Sq Ft of Sign Face | $51.46 | $46.40 | $42.69 | $63.76 | $59.21 | $55.81 | $63.97 | $57.32 | $51.90 | $75.02 | $68.13 | $62.90 |
| Fair | | $40.09 | $36.06 | $33.27 | $49.61 | $45.97 | $43.38 | $49.70 | $44.55 | $40.30 | $58.27 | $53.03 | $48.87 |
| Poor | | $22.82 | $20.56 | $19.00 | $28.27 | $26.31 | $24.79 | $28.38 | $25.45 | $23.05 | $33.38 | $30.28 | $27.91 |

Adjustments:

1. Reflectorized Material: To that portion of the sign that is reflectorized.

   Category*
   - Good - Add $7.35/sq ft to the unilluminated square foot figure.
   - Fair - Add $5.65/sq ft to the unilluminated square foot figure.
   - Poor - Add $3.17/sq ft to the unilluminated square foot figure.

2. For 12′ x 25′ Poster Panel Back-up on Wood Structures:

| Category* | | Unilluminated | Illuminated |
|---|---|---|---|
| Good | - Add | $6,500 | $7,036 |
| Fair | - Add | 4,995 | 5,467 |
| Poor | - Add | 2,893 | 3,128 |

3. For 12′ x 25′ Poster Panel Back-up on Steel Structures:

| Category* | | Unilluminated | Illuminated |
|---|---|---|---|
| Good | - Add | $7,185 | $7,810 |
| Fair | - Add | 5,053 | 6,219 |
| Poor | - Add | 3,204 | 3,474 |

4. For Painted Bulletin Back-up: Multiply square foot area of back-up by 50 percent of appropriate square foot figure.

*See Depreciation Schedule for description of good, fair and poor.

**SCHEDULE F - ENGLISH UNITS**
**PAYMENT SCHEDULE FOR MISCELLANEOUS SIGNS**

| | Structure | WOOD CONSTRUCTION | | | STEEL CONSTRUCTION | | |
|---|---|---|---|---|---|---|---|
| Category* | Area in Sq Ft | 1 to 100 | 101 to 200 | 201 and Larger | 1 to 100 | 101 to 200 | 201 and Larger |
| Good | $ Per Sq Ft of Sign Face | $34.58 | $29.66 | $25.45 | $42.60 | $36.48 | $31.07 |
| Fair | | $26.95 | $23.05 | $19.72 | $32.23 | $28.38 | $24.28 |
| Poor | | $15.40 | $13.14 | $11.28 | $18.90 | $16.23 | $13.92 |

Adjustments:

1. Reflectorized Material: To that portion of the sign that is reflectorized.

   Category*
   - Good - Add $7.35/sq ft to the appropriate square foot figure shown above.
   - Fair - Add $5.65/sq ft to the appropriate square foot figure shown above.
   - Poor - Add $3.17/sq ft to the appropriate square foot figure shown above.

2. For Painted Bulletin Back-up: Multiply square foot area of back-up by 50 percent of appropriate square foot figure shown above.

3. Illumination:

   Category*
   - Good - Add $8.66/sq ft to the appropriate square foot figure shown above.
   - Fair - Add $6.69/sq ft to the appropriate square foot figure shown above.
   - Poor - Add $3.82/sq ft to the appropriate square foot figure shown above.

*See Depreciation Schedule for description of good, fair and poor.

**SCHEDULE G - ENGLISH UNITS**

**PAYMENT SCHEDULE FOR 8-SHEET POSTER PANEL REMOVAL**

| | Unilluminated |
|---|---|
| Straight Single | $3,978 |
| Offset Single | 4,271 |
| Straight Double | 4,827 |
| Offset Double | 5,169 |

Adjustments:

1. For single signs on wood structures, deduct $400.

2. For back-to-back signs on wood structures, deduct $484.

**SCHEDULE H - ENGLISH UNITS**

**PAYMENT SCHEDULE FOR RELOCATING 8-SHEET POSTER PANELS ONTO ADJACENT PROPERTY**

| | Unilluminated |
|---|---|
| Straight Single | $2,787 |
| Offset Single | 3,012 |
| Straight Double | 3,380 |
| Offset Double | 3,621 |