

APPRAISAL REVIEW PROCEDURES

DEFINITIONS

➤ Appraisal Review

An appraisal review is an examination and determination by a review appraiser that the form and content of an appraisal conforms with the requirements of law, rule, and this manual; and that estimates of market value and just compensation are comprehensive, supported by the real estate or personal property market data, and are a reasonable compensation for the loss in property value and/or damages. The review may include an independent analysis of data from submitted appraisal report(s) and other gathered data, reaching an independent estimate of fair and reasonable "just compensation". When completed by a staff review appraiser, the finding is also a final determination of the amount to be offered by the Agency as "Just Compensation".

➤ Review Appraiser

A review appraiser is an individual with the Agency delegated administrative responsibility to ascertain final determinations, to accept appraisals, to approve appraisal estimates of just compensation and, if an Agency review appraiser, to establish an amount to be offered by the Agency as "Just Compensation".

FUNCTION AND PURPOSE OF REVIEW

➤ To protect the interests of the public

A qualified review appraiser should examine all appraisals to estimate the amount to be offered by the Agency as just compensation, to assure that they are fair, reasonable and meet applicable appraisal requirements.

➤ To protect the interests of the property owner

The review appraiser must also assure the appraisal analysis is fair and reasonable as it relates to the effect of the proposed acquisition on the remaining property. This includes review for the existence of uneconomic remnants.

➤ To provide an approved estimate of just compensation

An Iowa DOT review appraiser or Local Public Agency review appraiser or Administrator using appraisals and other data as required, shall establish an estimate of just compensation to be offered for the purchase of property under eminent domain.

- To provide consistency of values

In projects involving multiple properties and/or ownerships, the review appraiser is to maintain a logical consistency from property to property in the amounts paid for land, improvements and damages. Of special concern are projects using more than one appraiser and the differences resulting from the independent analysis of neighboring properties.

- To maintain a high quality appraisal product

Prior to the acceptance of an appraisal, the review appraiser shall request the appraiser to make all necessary corrections and revisions. The review appraiser may provide technical advice and instruction, or other training, in order to improve the appraiser's technique and ability. The review appraiser may recommend reference material or courses of study to improve an appraiser's product. At the conclusion of a project the review appraiser will issue a written critique of the appraiser's performance as an aid to the appraiser and to the Agency administration.

REVIEW APPRAISER'S DUTIES

- REPORT REVIEW AND ACCEPTANCE

The review appraiser independently performs a review of all appraisals and other reports submitted to determine the soundness of the appraiser's opinion of fair market value, adequacy of the appraiser's supporting data and documentation, the logic of appraiser's analysis, whether the appraisal report conforms to the provisions of this manual, if adequate consideration was given to all compensable items of damage, and, to verify the exclusion of items non-compensable under Iowa law.

The appraisal review function consists of an all-inclusive evaluation of appraisals. Factually presented data and calculations may be spot checked for accuracy (sometimes by a subordinate technician). Appraisal reports are to be critically evaluated in all respects with validity and reasonableness of the estimate of just compensation being a principal focal point. Subject properties should be inspected by the review appraiser along with the comparable sales and other data presented in the appraisal report.

If additional documentation, correction, or revision to an appraisal report is required, the review appraiser may return the appraisal report and require the appraiser to make the appropriate changes before resubmitting for continued review. When returning the appraisal report, the appraiser must be made clearly aware of the issues found by the review appraiser and clarifications, corrections or additions requested. This may be done either by letter or verbally with a memo to file. If there is insufficient time to allow the appraiser to make changes or when the review appraiser and appraiser are not in agreement, the review appraiser shall provide the corrections or additions necessary, as part of the written review.

The review appraiser shall reject, accept or approve appraisals submitted and shall approve an estimate of just compensation for the property under appraisal. The approved value may be the same or different from that of the appraisal report. When a value different from that of the appraisal is approved, the review appraiser's report shall document the new estimate of value. The review appraiser may accept all, or parts of one or more of the submitted appraisal reports, or reject the same depending upon his/her independent findings and conclusions. The review appraiser may accept or reject the appraisal reports in total. When the reviewer establishes an independent value conclusion in lieu of approving the value conclusion of a submitted appraisal report, he/she becomes the appraiser, but no subsequent independent appraisal review is required. The review appraiser will discuss the appraisal deficiencies with the appraiser prior to establishing an independent value estimate.

➤ ESTIMATE OF JUST COMPENSATION

An Iowa DOT review appraiser or Local Public Agency review appraiser has the authority and responsibility to independently approve an estimate of just compensation for the acquisition of property.

The approved value may be the same or different from that of the appraisal report. When a value different from that of an appraisal report is approved, the review report shall document a new estimate of just compensation.

On the basis of additional information, the reviewer may subsequently adjust the approved estimate of just compensation by preparation of a new review report giving reasons for changes made. An appraisal prepared for property owners and submitted to the Agency may also be considered when the review appraiser reconsiders the approved estimate of just compensation.

A Contract Review Appraiser may provide appraisal acceptance and fair market value appraisal review determination, **but the Agency remains responsible for the final determination of the amount to be offered as just compensation.**

➤ ALLOCATION OF JUST COMPENSATION

Iowa Code Section 6B.45 requires that the property owner be provided an "itemization of appraised value of real property or interest therein, any buildings thereon, all other improvements including fences, severance damages and loss of access". The review appraiser is to allocate an estimate of just compensation, concluded in a Detailed Appraisal (Before and After) or a Value Finding Appraisal, into the categories noted on Form 633-102, "Allocation of Just Compensation". The allocation is to be based upon either the appraiser's conclusions and opinions stated in the report, or the review appraiser's interpretation of the market data.

This form must be completed and included in all appraisal review reports that involve a partial acquisition. The total estimate of just compensation indicated on this form must be the same as that indicated on Form 633-101 (Appraisal) or 401 (Residential Appraisal).

The Allocation of Just Compensation is not part of the appraisal process, but is to be completed after the appraisal is completed. The form serves to provide for statutory and accounting requirements.

➤ WRITTEN REVIEW

The review appraiser shall prepare a written appraisal review for each parcel where an acquisition appraisal has been prepared. Review Form 633-501 shall be used. All information requested in that form shall be furnished, or be indicated as not applicable. Immediately following the written narrative portion of the report, the form shall be signed by the review appraiser and dated.

The review appraiser's report shall identify the appraisal reports reviewed, document the findings and conclusions reached during the review process and identify each appraisal report as rejected, accepted (meets all requirements, but not selected as approved) or approved as the basis for the amount believed to be just compensation.

The review appraiser should not sign an approval box at any place on the acquisition appraisal. It should be noted that a signature at any place on the acquisition appraisal may hold that signatory fully responsible for the appraisal.

A signed and dated "Certificate of Appraisal Reviewer", Form 633-502 shall be furnished on all appraised parcels.

When one of two or more appraisal estimates or a value different from that of any appraisal report is approved, the review appraiser's report shall explain the estimate of just compensation. If the review appraiser's own value is approved, the review appraiser shall prepare Appraisal Form 633-101, sign it as the review appraiser, and place a copy in both the office and field files. No subsequent review is required.

When written reviews are prepared, an original and one copy of the review report, together with certification, shall be furnished. The original copy is to be bound in the permanent office file and one copy placed in the field file and forwarded to the negotiator.

SUGGESTED APPRAISAL REVIEW PROCEDURE

- ❖ Ensure the inclusion of required forms, addenda and exhibits.
- ❖ Ensure the calculations and mathematical procedures are correct.
- ❖ Physically examine the subject and all the primary market comparables cited.
- ❖ Analyze the data and conclusions for adequacy, logic and procedure.
- ❖ Determine if the appraisal adequately addresses issues.
- ❖ Compare the documentation and report requirements with those in the appraisal.
- ❖ Determine if the manual requirements and contract instructions have been fulfilled.
- ❖ Determine if there are uneconomic remnants.
- ❖ Determine if any non-compensable items have been included in the report.
- ❖ Reach an independent opinion of the probable range of market value and just compensation, confirming or refuting the value(s) in appraisal.
- ❖ Seek clarifications or corrections. (Return all copies of appraisal.)
- ❖ Reexamine the corrected appraisal.
- ❖ Examine specialty reports. Check for sufficient identification for each item noted.
- ❖ Determine if a monetary duplication between the appraisal and specialty reports exists.
- ❖ Write the appraisal review confirming an amount to be offered as just compensation and noting the relationship between the specialty report and the appraisal. Complete a new Form 633-101 if required, to incorporate the appraisal and specialty report.
- ❖ Complete the required Appraisal Review Forms. When approving one of two or more appraisal reports, give specific reasoning for selection.
- ❖ Complete Form 633-102 “Allocation of Just Compensation” for inclusion in the Review Appraiser’s Report.

- ❖ Prepare residential portion breakouts for Relocation Assistance use and an estimate of economic rent, if requested.
- ❖ Transmit completed files to the party responsible for acquisition activities.
- ❖ Write the Appraiser's Critique, placing one copy in the Appraisal Project File, and mailing one copy to the Appraiser.
- ❖ Retain copies of review notes, reports, letters and critiques for personal files. Retain copies of any item or document considered of crucial importance in the event of future reference need.

DISADVANTAGED BUSINESS ENTERPRISE PARTICIPATION

The State of Iowa's goal for participation by Disadvantaged Business Enterprises (DBE's) on any federally funded contracts or projects for professional services will be the annual goal as established by the Director of the Office of Contracts for the Iowa DOT.

Recognizing that federally funded right of way acquisition contracts for appraisal services do not lend themselves to subcontracting, the following "good-faith effort" procedure is required.

- Obtain names of qualified DBE appraisers from Office of Contracts or advertise in general circulation, trade association and minority-focus media. Qualification of DBE appraisers responding to advertisements must be determined by the Office of Contracts and the Office of Right of Way, if not on approved list.
- Notify qualified DBE appraisers of any future contracts for appraisal services. Preferably, this should be on a personal basis, as in a telephone contact, and in sufficient time to allow the DBE to participate effectively.
- Solicit bids from these qualified DBE appraisers on each Federal aid right of way project.
- Document all "good-faith effort" procedures for each Federal-aid right of way project by copies of correspondence and replies in the project general file. This should include written notes to document personal and/or telephone contacts with any DBE.

This procedure replaces the need to set individual DBE goals on appraisal services for each project and replaces the need to request individual approvals from the Iowa DOT.

Cities with only an occasional federally funded appraisal service contract are to provide the Office of Local Systems a letter, after appraisal contracts are awarded, certifying that they followed the "good-faith effort" procedure, and list actual dollar amount awarded for these services and amount (if any) awarded to DBE's.

Cities which may be continuously involved in this process are to provide the letter of certification and actual amounts on a semiannual basis prior to March 31 and September 30. The letter should document individual Federal aid right of way projects and actual total amount awarded to qualified DBE appraisers.