

TYPES AND FORMATS OF APPRAISAL REPORTS

The format and level of documentation for an eminent domain appraisal report depends on the complexity of the appraisal. There are three appraisal report formats that will satisfy Iowa DOT standards. The appraiser is expected to use the most appropriate format. The format to be used may be specified in the appraisal assignment. When developing the appraisal, regardless of format, the Appraiser shall always offer a property owner, or their designated representative, a reasonable opportunity to be present during the inspection of the property.

All appraisals are prepared following accepted appraisal principles and techniques in accordance with Article 1, Section 18 of the Iowa Constitution and Chapters 6A Eminent Domain Law and 6B Procedure under Eminent Domain as interpreted by decisions of the Iowa Supreme Court, 761 IAC 111 of the Iowa Administrative Code, and the Iowa Department of Transportation (Iowa DOT) "Appraisal Policy and Procedures Manual". These Iowa provisions implement and fully comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act Of 1970 as amended and its implementing regulations found in Part 24 of Title 49 of the Code of Federal Regulations and in accordance with USPAP.

The eminent domain appraisal development and reporting standards contained in the Iowa DOT Appraisal Policy and Procedures manual, Iowa law and The Code of Federal Regulations are no less stringent than USPAP. Eminent domain appraisals are not to be considered as "Limited" appraisals, or as "Restricted" reports, etc.

Upon completion of the review function, the appraisal report and the review appraiser's report will be forwarded to the Acquisition Section and subsequently forwarded to the property owner.

The appraiser's competency to complete eminent domain appraisals and reports must include familiarity with that body of case law relating to valuation under eminent domain as it expands or changes.

All reports are expected to be stand-alone, fully supported reports, independent of a separate "Project Book". Accepted formats are:

THE DETAILED APPRAISAL REPORT

Detailed Appraisal Reports are required on either total or partial acquisitions of properties when other less detailed formats are not applicable. They shall include all applicable approaches to value. Reasons for omitting any traditional approach to value should be clearly stated in the report.

The Appraiser may be instructed to limit appraisal analysis to a specific valuation approach or approaches. This may be when inclusion of additional approaches to value

would not significantly add to the reliability and support of the final value estimate, or when recommended by legal counsel or the Chief Appraiser.

In addition to the applicable forms and inclusions mentioned earlier, the following information and analysis appropriate to the type of property under appraisal must be included in a Detailed Appraisal Report, unless the appraiser has been provided specific instructions to the contrary.

Identification and Legal Description of Property Appraised

The property is typically identified by a street or rural address, or, if a vacant property, by a street name and distance from an identifiable intersection.

The legal description is typically shown in the title information as provided, or as shown in the most recent conveyance documents. While effort is made to provide the appraiser with a proper definition of the "Parent Parcel", it is the appraiser's responsibility to note any potential problems in the "Parent Parcel" legal description and to discuss the need for possible revisions with the Chief Appraiser, Appraisal Production Coordinator or the assigned Review Appraiser.

Lengthy legal descriptions for subject properties and sale comparables may be abbreviated. Abbreviated descriptions should be clear so that the reader is not misled. Signals such as "Land in..." or "Part of..." or "Abbreviated as..." should be used to begin an abbreviated description. REFERENCES TO APPENDIX LOCATIONS OR DEEDS ETC. ARE NOT ACCEPTABLE. Complete descriptions may be referenced if directly attached to the Form or Comparable Sales Analysis sheet.

Date of Value Estimate

The date the value estimate applies. Value is always estimated as of a given date. The date of value estimate specifies market and environmental conditions under which the analysis is founded.

Most frequently, for purposes of appraisal, the date of inspection is used as the valuation date, although often it may be fixed at some prior or future time. Appraisals for condemnation appeal shall be as of the date of the condemnation hearing.

The Appraiser is responsible for valuing a property in its actual condition as of the stated date of valuation.

All value estimates are affected by existing market conditions regardless of the nature of the value estimated. Market Value is a direct function of forces of supply and demand prevailing on the market at the time of appraisal.

If the appraisal preparation date and valuation date are substantially different, both dates should be clearly stated.

Description of "Community and Neighborhood"

A description of the physical, amenity, and economic factors of the community and neighborhood must be included. The description should concentrate upon those factors which have an affect upon the current market value of the property or properties appraised. An analysis of how and why these factors are affecting value should be included. Extraneous material not related to the appraisal problem is not appropriate.

Description of Characteristics of Property Appraised

The physical description of the tract including, but not limited to: size, shape, topography, drainage, agricultural suitability, soil characteristics, and accessibility.

The physical description of improvements, including, but not limited to: type of improvement, use or occupancy, size, shape, style, construction materials, finish materials, quality, condition, obsolescence and adequacy factors, location on the tract and, if appropriate, recent rental history.

A detailed and accurate description of all property attributes is necessary. Items of depreciation or obsolescence should be detailed. All items of importance in the valuation sections should be introduced and discussed.

All buildings, structures and other site improvements must be identified and described, even though they may not significantly contribute to the value of the property.

All fixtures and property included in the valuation must be listed and described in such a manner as to facilitate their identification by others.

Improvements which are neither being acquired nor affected by the acquisition may have a significantly abbreviated description.

Discussion of the Existing Limitations to Fee Ownership

Existing limitations to fee ownership of the real property being appraised may include, but are not limited to:

- Zoning restrictions, and the reasonable likelihood of zoning changes, not dependent on the project for which the property is to be acquired.

- Existing easements, both recorded and obvious adverse possessions.
- Leases and tenants. Terms for both written and verbal tenancies should be noted. Copies of written leases should be included.
- Lack of other ownership rights such as mineral rights or the right to conduct certain types of business, etc.

Possible Health Hazard Alert

A positive statement as to the knowledge, suspicion, or presumed existence of: ground water contamination, petroleum storage tanks, chemical storage or other possible contaminants in or on property, or, a positive statement that the property appears to be uncontaminated, is required. (See Page 54, “Hazardous Substances/Contamination”)

The Analysis and Statement of the Highest and Best Use of Property Appraised, Both if Vacant and as Improved

Highest and Best use is the utilization of a property to its best and most profitable use. It is that use, chosen from among reasonably probable and financially feasible alternative uses which is found to be physically practical, legally acceptable, and which results in the highest present value, as defined, as of the effective date of appraisal. Where the Highest and Best Use is considered to be for development, there must be a discussion of the supply of and demand for similar development land, together with a supported absorption period for the subject.

Basis:

Iowa Civil Jury Instructions 2500.15; Dolezal v. City of Cedar Rapids, 209 N.W.2d 84 (Iowa 1973); Jones v. Iowa State Highway Commission, 259 Iowa 616, 144 N.W.2d 277 (1966).

It is recognized that, in cases where a site has existing improvements, the highest and best use, if vacant, may be different from the existing use. The existing use will continue unless and until the value of the land in the highest and best use vacant exceeds the total value of the improved property in the existing use.

In appraisal practice the concept of Highest and Best Use represents the foundation upon which value is based. No valuation may proceed without this determination, as the appraiser would not know what comparative analysis data to rely upon.

Statement as to Property Rights Appraised

Property rights to be appraised for eminent domain purposes usually are of the following types:

➤ Fee Simple

An absolute fee; a fee without restrictions or limitations to any particular class of heirs, but subject to the limitations of eminent domain, escheat, police power and taxation.

➤ Leased Fee

A property held in fee with the right of use and occupancy conveyed by lease to others. An ownership consisting of the right to receive rentals over a period of time, plus the right of ultimate repossession at termination of the lease.

➤ Leasehold

A property held under tenure of lease. The right of use and occupancy of real property by virtue of a lease agreement; right of a lessee to use and enjoy real estate for a stated term and upon certain conditions, such as payment of rent.

➤ Easement

An interest held by one person in the land of another, whereby the first person is accorded partial use of such land for a specific purpose. An easement restricts rights of the fee owner in the use and enjoyment of those rights extended to the easement holder. Easements fall into three broad classifications: surface easements, subsurface easements and overhead or avigation easements.

Cost Approach and Analysis, if Applicable

Definition: The Cost Approach is that approach in appraisal analysis which is based on the proposition that an informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property.

It is a set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of, or replacement for, the existing improvement; deducting accrued depreciation; and, adding the estimated land value plus entrepreneurial profit.

In eminent domain appraisal, the "Cost Approach to Value" is considered valid in only three situations:

- When the improvements are nearly new, and functional.
- When the property has a "special purpose" or use, and is of a type seldom sold in the open market.
- When the proposed acquisition includes or affects only part of the improvements on a property. In the case of a Detailed Before and After appraisal, the Cost Approach may be the most sensitive approach to the acquisition of small elements of the improvements, or elements which might properly be accommodated using a cost to cure.

The cost approach to value is not needed in any other situation, However, in the case of a Before and After valuation of an improved property, a land value, as vacant, for its highest and best use, should be developed using the Direct Sales Comparison Approach. When the appraiser furnishes a cost approach, the approach must meet the following preparation and documentation standards.

- Land Value

The opinion of land value is to be developed from comparable sales or other methods as outlined in the Sales Comparison Approach to Value. Land value must be estimated on the basis of what would be the tract's highest and best use if unimproved and ready for development.

- Cost New Estimate

The appraiser may arrive at a cost new estimate for each improvement on the property basing computations on the updated actual cost, cost of similar new construction, computerized cost services, published cost manuals, or contractor's estimates. The source and development of that data must be documented in a manner that allows the appraisal reviewer to confirm and analyze computations.

- Accrued Depreciation

Four methods of measuring accrued depreciation are acceptable.

- ❖ Breakdown - This method is to be applied using generally accepted methodology to produce estimates of physical deterioration, functional obsolescence and economic or external obsolescence.
- ❖ Market Analysis – The appraiser must indicate the following: development and documentation of land value from comparable sales and deduction from the total sale price to ascertain the contribution value of the improvements;

cost new estimates of the improvements on those comparable sales; comparison of contribution value and cost new to establish the percentage of accrued depreciation on the sale of improvements. To be valid, the comparables should be relatively similar to the subject in age, construction, function and size.

- ❖ Commercial Cost Service - If the cost new estimate is developed by such a service, the appraiser may also use that system's estimate of depreciation, furnishing a copy of the computation or computer output as a part of the appraisal report. The appraiser should ascertain whether the economic obsolescence, as included in the system, is relevant to the community.
- ❖ Economic Age-Life – The appraiser must adequately explain and justify estimates of effective age and anticipated economic life.

➤ Value Indication

The final value indication by the cost approach represents the total of the market value of land plus the depreciated cost of all improvements. This must be clearly stated at the conclusion of the approach.

Income Capitalization Approach and Analysis, if Applicable

Definition: The Income Capitalization Approach is that procedure in the appraisal analysis which converts the anticipated benefits (cash flows and reversion) to be derived from the ownership of property, into a value opinion. The Income Capitalization Approach is widely applied in appraising income producing properties. The anticipated future income and/or reversions are discounted to a present worth value through a capitalization process.

In the case of a Before and After valuation, and if the Cost Approach has not been developed, a Land Value as vacant, for its highest and best use, should be developed using the Direct Sales Comparison Approach.

The appraiser shall collect, inspect, verify, analyze, and reconcile such comparable income data as are available to indicate an appropriate estimate of the gross income of the property being appraised.

The appraiser shall collect, verify, analyze, and reconcile such data on comparable operating expenses as are available to support an estimate of all operating expenses pertinent to the property being appraised.

The appraiser shall collect, verify, analyze, and reconcile data available to support an appropriate capitalization rate or rates to be applied to the estimated net operating income.

The method, process, and technique of capitalization shall be appropriate to the type and characteristics of the property being appraised.

A final value indicated by the Income Capitalization Approach shall be reached and clearly stated at the conclusion of the approach.

Sales Comparison Approach and Analysis, if Applicable

Definition: The Sales Comparison Approach to Value is a direct sales comparison and analysis. The Sales Comparison Approach in appraisal analysis is based on a proposition that an informed purchaser would pay no more for a property than the cost of acquiring an alternate property with a similar utility. This is the approach to value normally relied upon in eminent domain appraisal valuations. In the case of a Before and After valuation, and if the Cost Approach has not been developed, a Land Value as vacant, for its highest and best use, developed using the Direct Sales Comparison Approach is to be included.

The appraiser shall collect, inspect, verify, analyze, and reconcile comparable sales information available to produce a value conclusion. Comparable sales data must be contained in the appraisal report.

The appraiser must analyze available market information and explain how that data related to the subject property. The means for expressing that analysis covers a broad spectrum of qualified skill depending on the property and market being analyzed.

The appraiser needs to present available market information and supply comparative adjustments, using quantitative and/or qualitative techniques, between that information and the subject property to arrive at a final indication of market value. Quantitative techniques include paired data analysis, statistical analysis, graphic analysis, trend analysis, cost related analysis and secondary analysis. Qualitative techniques include relative comparison analysis, ranking analysis, and personal interviews.

In any case, the appraiser must clearly and accurately present these analyses, opinions, and conclusions in sufficient depth and detail to convince a reader of the report that they are appropriate and reasonable.

Reconciliation & Final Opinion of Value

The appraiser must reconcile the value indications previously reached from the approaches to value to arrive at a final opinion of value. Appraisers are to reconcile facts, trends, and observations developed in their analyses and review the conclusions, validity and reliability of those conclusions. Relative significance, applicability, and defensibility of each indication of value is weighed and analyzed, placing greatest

reliance on those which are most authoritative in indicating the value of the property or rights under appraisal.

The Final Value Opinion is to be the highest value that a typical informed rational purchaser would pay for the subject property if available for sale on the open market as of the date of appraisal, given the data developed in the analysis.

Signatures by Responsible Appraisers

All appraisers contributing significantly to the valuation process must sign the report and all the required certifications.

Fixture and equipment appraisers who have provided appraisals of personal property under their own signature are required to sign and include certificates only as to those conclusions, even though they may be incorporated into the larger report by the real property appraiser.

Supportive Material

The appraisal should include any supportive material that the appraiser believes would assist in explaining or justifying the observations and conclusions. This material may consist of: maps, charts, plans, photographs, cost estimates, sketches, hazardous material inspection reports, traffic count charts, community ordinances, sale contracts, offers to purchase, leases, etc.

Discussion of Interests

The appraisal shall contain an investigation of possible leasehold interests when a lease is found. If a leasehold interest exists, the appraiser must describe and analyze the lease.

When the analysis indicates the presence of a leasehold, the appraiser must also include the tenant's name and address on Forms 633-101 (Appraisal) or 633-401 (Residential Appraisal). The appraiser may be requested, as a part of the assignment, to provide separate values and appropriate forms for each of the several interests. (See Page 31, "Leasehold Appraisal")

Valuing the subject property as a whole, and apportioning damages between the fee holder and the lessee is **not** an appraisal of the tenant's interest.

Basis:

Fritz v. Iowa State Highway Commission, 270 N.W.2d 835 (Iowa 1978).

Tenant owned structures and fixtures shall be noted. If both landlord and tenant have signed an agreement denoting the tenant owned fixtures and equipment, the appraiser shall develop an appraisal of the tenant's interest separate from the owner. If the owner and/or tenant do not agree on ownership, the appraiser should develop a division of interests and report it separately in the appraisal report. (See Page 33, "Tenant Owned Improvement Appraisal")

Partial Acquisitions

Where a substantial portion of a property is to be acquired, or there are significant damages to the remainder that cannot be easily measured by cost-to-cure, a detailed "Before Value" and "After Value" appraisal report is required.

Elements of this type of report are as follows:

- All appropriate forms and inclusions noted earlier.
- A valuation of the entire property existing prior to the proposed acquisition.
- A discussion of the real property, personal property and/or rights to be acquired.
- A discussion of the physical and functional effects of loss of the real property and/or personal property.
- A reiteration of the property description, in abbreviated form, as existing after the removal of the acquisition. Where no changes have occurred, reference may be made to the earlier descriptions.
- An analysis of Highest and Best Use of the property after acquisition. Both an analysis of the land as vacant, and an analysis of the property as improved is required.
- A valuation of the property as existing after the acquisition, normally utilizing the same valuation approaches as developed in the before acquisition analysis. A complete analysis must be indicated. **It is unacceptable to simply value the part acquired and subtract the result from the before value to produce an after value.** Use of Costs to Cure, where such costs are less than the reduction in value if not cured, is acceptable. Such costs should be based upon documented estimates.
- The appraiser should avoid using the same comparable sales in the before and after analysis. If the same sales comparables are used, the appraiser is required to provide market justification for the adjustments made to the comparables in both the before and after analysis.
- A statement as to conclusions reached.

NOTE

IT IS NOT ACCEPTABLE TO PRODUCE AN AFTER ACQUISITION VALUE BY SUBTRACTING THE ESTIMATED VALUE OF ACQUISITION AND DAMAGES FROM THE BEFORE ACQUISITION VALUE CONCLUSION.

Basis:

Harris v. Board of Trustees of Green Bay Levee & Drainage Dist. No. 2, Lee County, 59 N.W.2d 234,237 (Iowa 1953), Maxwell v. Highway Commission, 223 Iowa 159, 271 N.W. 883 (1937); Randell v. Iowa State Highway Commission, 241 N.W. 685 (Iowa 1932).

IT IS NOT ACCEPTABLE TO SUM THE UNADJUSTED VALUE OF SEPARATE PARCELS OF A PROPERTY IN ARRIVING AT THE BEFORE OR AFTER VALUE OPINIONS.

Basis:

Bellew v. Iowa State Highway Commission, 171 N.W.2d 284, 288-289 (Iowa 1969); Jones v. Iowa State Highway Commission, 259 Iowa 616, 144 N.W.2d 277, 280 (1966); *Iowa Civil Jury Instruction 2500.3*.

Suggested Structure of Appraisal Reports:

The appraisal reports are sent to the property owners, so it is important they follow a logical, readable and user-friendly format. The Iowa DOT does not specify a particular appraisal reporting format with respect to binding, order of pages, etc. However, the Iowa DOT considers the following suggested order as appropriate and acceptable. Appraisal reports do not need to be bound with covers but may be stapled.

The following suggestions include the pertinent forms, together with suggested page or paragraph headings:

Detailed Report: Total Acquisition

Title Page

Letter of Transmittal

Table of Contents

Neighborhood Description

Statement of the Appraisal Problem

Description of Subject Site as Vacant

Highest & Best Use of Subject Site as Vacant

Valuation of Subject Site as Vacant

Description of Subject Improvements

Highest & Best Use of Subject Improvements

Cost Approach

Sales Comparison Approach

Income Approach

Reconciliation & Final Estimate of Value

Discussion of Interests, if applicable

Addendum

- Forms 633-101, 204 and 205
- Summary of Proposed Acquisition (From R/W Design)
- Iowa DOT Plot Plan (From R/W Design) Include the Surveyor Plat, if available.
- Photographs of Appraised Property
- All other supportive material including sketches, comparable sales sheet and location map, written leases, if available, etc.

Detailed Report: Before & After

Title Page

Letter of Transmittal

Table of Contents

Neighborhood Description

Statement of the Appraisal Problem

Description of Subject Site as Vacant, Before

Highest & Best Use of Subject Site as Vacant, Before

Valuation of Subject Site as Vacant, Before

Description of Subject Improvements, Before

Highest & Best Use of Subject Improvements, Before

Cost Approach, Before

Sales Comparison Approach, Before

Income Approach, Before

Reconciliation & Final Estimate of Value, Before

Discussion of Interests, if applicable, Before

Description of Rights to be Acquired

Effect of the Acquisition on Subject Property

Description of Subject Site as Vacant, After

Highest & Best Use of Subject Site as Vacant, After

Valuation of Subject Site as Vacant, After

Description of Subject Improvements, After

Highest & Best Use of Subject Improvements, After

Cost Approach, After

Sales Comparison Approach, After

Income Approach, After

Reconciliation & Final Estimate of Value, After

Discussion of Interests, if applicable, After

Addendum

- Forms 633-101, 204 and 205
- Summary of Proposed Acquisition (From R/W Design)
- Iowa DOT Plot Plan (From R/W Design) Include the Surveyor Plat, if available
- Photographs of Appraised Property, including land and buildings to be acquired
- All other supportive material including sketches, comparable sales sheets and location map, written leases, if available, etc.

THE VALUE FINDING APPRAISAL REPORT

This report does not contain a complete before and after value analysis. This report format is to be used for simple partial acquisitions when damages to the remainder are non-existent or are relatively minor, are easily measured or explained, or are measurable by cost-to-cure.

An example of a "simple" partial acquisition would be a strip acquisition from a large property, which does not approach close enough to any improvements to cause possible proximity damages. Any partial acquisition which necessitates reconfiguration of improvements or which damages the improvements could not use this format. Any partial acquisition which changes the highest and best use of remaining property, should not be appraised using this format.

There is no limit to the total value of land and damages when using this format. Use of the format is limited only by the complexity of the acquisition, or of the property being appraised. This type of report does not express before and after values, but only indicates compensation due to the property owner and/or lessee. Value of the land and/or improvements acquired must be supported by applicable data. Any large cost-to-cure items must also be appropriately supported.

A brief narrative discussion must be included covering the overall property, the acquisition, and the acquisition's effect on the remainder. The extent of documentation is to be commensurate with the significance of the appraisal, and values involved. In the event of condemnation, the appraiser may be requested to provide before and after values for the property.

The opinion of just compensation arrived at in a value finding appraisal report reflects the appraiser's opinion of the difference between the before and after values. It is assumed that the appraiser would not have a different opinion of just compensation if doing a before and after appraisal.

The standard three approaches to value as discussed later will be considered, but in most cases, only a Sales Comparison Approach will be requested. The land valuation requires a minimum of two sales, documented, identified, and confirmed in the same manner as comparable sales for a detailed appraisal report.

This type of report does not express before and after values, but rather indicates the compensation due the owner. However, the appraiser will be no less diligent in gathering the data and completing the appraisal assignment than if performing a before and after appraisal

Basic elements of this type of report are as follows:

- All appropriate forms and inclusions noted earlier.
- A brief community and neighborhood discussion.
- A brief discussion of the subject, and the use and type of improvements. The description detail should be commensurate with the importance to the value analysis.
- A brief discussion and conclusion of the Highest and Best Use of the property, both as vacant and as improved.
- An explanation of the acquisition and explanation of the effect of the acquisition on the remainder property.
- A discussion of the land, improvements and rights to be acquired.
- Data and analysis to explain, substantiate, and thereby document the estimate of Just Compensation. The extent of this data should be commensurate with the appraisal problem.
- Land Value – The estimate of land value is to be developed from comparable sales as discussed in the Sales Comparison Approach to Value.
- An explanation of the valuation procedure, and summary of conclusions reached, appropriately supported.
- Signature by the responsible appraisers.
- Supportive exhibits and material.

The following is a suggested structure is considered appropriate and acceptable for the Value Finding Report.

Value Finding Report

Title Page

Letter of Transmittal

Table of Contents

The following statement:

“The opinion of just compensation arrived at in this value finding appraisal report reflects the appraiser’s opinion of the difference between the before and after values. My opinion of just compensation is no different than if doing a before and after appraisal.”

Neighborhood Description

Description of Subject Property

Highest & Best Use of Subject Property

Description of Rights to be Acquired

Effect of the Acquisition on Subject Property

Valuation

Discussion of interests, if applicable

Addendum

- Forms 633-101, 204 and 205
- Summary of Proposed Acquisition (From R/W Design)
- Iowa DOT Plot Plan (From R/W Design) Include the Surveyor Plat, if available
- Photographs of Appraised Property
- All other supportive material including sketches, comparable sales sheets and location map, written leases, if available, etc.

THE RESIDENTIAL APPRAISAL REPORT

The Uniform Residential Appraisal Report (URAR), with certain additions, is to be used for appraising residential properties when a "Total Acquisition" is involved, or when a "before value" must be developed for a partial acquisition. Additions are to include the first page of the Iowa DOT's Residential Appraisal Report Form 633-401. Photographs and floor plan sketch with approximate dimensions are to be included for any building to be acquired. Comparable sales sheets with photographs are to be included together with a sales location map.

All or part of this format may be used to value a residential portion, as defined, of a multi-use property and incorporated into a larger report covering the entire property.

The basic requirements of this type of report are as follows:

- The Uniform Residential Appraisal Report with an attached first page of Form 633-401 (Residential Appraisal Report).
- Sales data sheets, sales location maps, and exterior photographs of major improvements.
- A sketch of the first floor perimeter of the house, with the dimensions.
- Interior photographs of special features are required (See Page 11, "Photographs"). This is also support for verification of the appraiser's interior inspection.
- When specific or unique features affect the value of the property, the appraiser should describe and furnish photographs of those features. Also include other materials which the appraiser feels necessary to support or develop the valuation of property. These may include: floor plans, plats, additional commentary, additional adjustment documentation, flood hazard maps, etc.

ADVERTISING DEVICE APPRAISAL

The appraiser shall identify all advertising devices located within the proposed acquisition area. During the inspection process, the ownership of these advertising devices will be determined. A copy of the lease or lease terms will be secured when applicable.

In most instances, advertising devices will be considered as personal property and will be moved, or acquired, by the Relocation Assistance Section of the Right of Way Office.

The need for an appraisal of advertising devices will be rare. Exceptions will be considered on an individual basis. When the appraiser determines that a compensable

leasehold interest exists, and may be affected by the proposed acquisition, the interest will be appraised accordingly. See discussions of LEASEHOLD APPRAISAL and TENANT OWNED IMPROVEMENT APPRAISAL.

If an appraisal is required, the appraiser should attempt to develop all three approaches to value.

LEASEHOLD APPRAISAL

In those cases when property to be acquired is subject to a written or verbal lease, except month to month tenancies, the appraiser must describe and analyze the lease. In those cases when the analysis indicates a leasehold exists, the appraiser must include tenant's name and address along with the fee holder's name and address on Forms 633-101 (Appraisal) or 633-401 (Residential Appraisal).

Month to month rents and annual farm leases are not to be appraised unless other instructions are given on a specific property. All other leasehold interests, including written options to renew, shall be explained and valued. Copies of all leases are to be included in the appraisal report. If both the owner and tenant agree to the presence and terms of an oral lease, that lease is assumed to be valid, but limited to one year duration.

Basis:

Fritz v. Iowa State Highway Commission, 270 N.W.2d 835 (Iowa 1978); City of Des Moines v. Geller Glass & Upholstery, Inc., 319 N.W.2d 239 (Iowa 1982).

The value of the lessee's interest when the entire leased property is acquired is the fair and reasonable market value of the unexpired term of the lease immediately before the acquisition; taking into account the building, fixtures and tenant owned improvements on the premises; less the future rent to be paid, and the reasonable value of personal property removed by the lessee after the date of the acquisition

Basis:

Iowa Civil Jury Instruction 2500.10, Measure of Damage RE. Leasehold

The measure of damage in a total acquisition of a tenant's interest is the market value of the unexpired term of the lease over and above the rent stipulated to be paid. The appraiser must also compensate for the loss of the tenant's ownership of business fixtures.

Basis:

Batcheller v. Iowa State Highway Commission, 101 N.W.2d 30, 33 (Iowa 1960); Interstate Finance Corporation v. Iowa City, 149 N.W.2d 308 (Iowa 1967); Wilkes v. Iowa State Highway Commission, 172 N.W.2d 790 (Iowa 1969).

The measure of damage for a partial acquisition of a leasehold is the difference in the value of the use of the premises immediately before and after condemnation.

Basis:

Lassie's Red Barn, Inc. v. Iowa Department of Transportation, 428 N.W.2d 319, (Iowa Ct. App. 1988). Twin-State Eng & Chem. Co. v. Iowa State Highway Commission, 197 N.W.2d 575 (Iowa 1972).

The value for a lessee's interest for a partial acquisition of a leasehold is the difference in the fair and reasonable market value of the use of the premises immediately before and immediately after the acquisition.

The appraiser shall request and when provided include a copy of the lease in the appraisal report. When the lease is not made available or there is a disagreement between the lessor and lessee as to its terms of the ownership of fixtures, equipment or improvements, the appraiser shall value the lessor's and lessee's interests as a part of the whole property with the final conclusion of value including both interests. However, the appraiser will allocate the lessor's and lessee's interests within the body of the appraisal report. On a separate page, the appraiser will include a suggested allocation of interests in the before and after acquisition values of the property and the difference conclusion and identify what property fixtures, equipment and improvements are included in each interest. (See Page 23, "Discussion of Interests")

If a leasehold interest is found and it is affected by the right of way acquisition, the tenant is entitled to a reasonable opportunity to accompany the appraiser during an inspection of the property.

TENANT OWNED IMPROVEMENT APPRAISAL

When appraising any interest in real property, the appraiser shall appraise at least an equal interest in all buildings, structures, or other improvements located upon the real property to be acquired, which is to be removed or which is determined will be adversely affected by the highway or transportation project. This shall include any improvement of a tenant-owner who has the right or obligation to remove the improvement at expiration of the lease term.

Any building, structure, or other improvement, which would be considered to be real property if owned by the owner of the real property on which it is located, shall be considered to be real property for purposes of the appraisal analysis of tenant owned improvements.

Compensation for a tenant-owned improvement is the amount which the improvement contributes to the fair market value of the whole property or the salvage value, whichever is greater.

In the case where tenant owned improvements are involved, the appraiser shall secure both the owner's and tenant's signatures on a written agreement listing the items owned by the tenant. A copy of that agreement must be included in the appraisal report. A blank agreement form will be furnished by the Chief Appraiser upon request. The appraiser shall appraise the separately held interests of the owner and tenant, based on that agreement and furnish a separate Form 633-101, 204 and 205, for each interest. If the owner and/or tenant refuse to sign an agreement, the appraiser is to make the allocation required under the Appraisal Content Requirements, Discussion of Interests.

If tenant owned improvements are affected by the right of way acquisition, the tenant is entitled to a reasonable opportunity to accompany the appraiser during an inspection of the property.

FIXTURE AND EQUIPMENT APPRAISAL

➤ Small Quantities of Common Items

If completion of an appraisal requires the valuation of small quantities of common items, the real estate appraisers may estimate their values based upon experience, observed condition or any other support which can readily be developed. Items shall be identified and described in the report.

➤ Large Numbers of Items and Specialty Items

An experienced appraiser of the appropriate type of fixture and equipment shall be retained when either the number of items is significant or items would appear to have significant value.

➤ A Fixture and Equipment Appraisal shall consist of:

- ❖ Appraiser's Letter of Transmittal
- ❖ Form 633-204, "Certification of Appraiser".
- ❖ Form 633-205, or the following certification: I personally inspected Fixtures & Equipment on _____, 200_, and interviewed _____ who is the _____. I offered _____ an opportunity to accompany me on my inspection of this property and he/she _____ that invitation. This invitation was extended by (personal contact, telephone or letter _____ on _____, 200_.
- ❖ An identified listing of the items appraised.
- ❖ A listing of replacement cost by item or groups of like items.

- ❖ A listing of value-in-place by item or groups of like items.
- ❖ A listing of salvage value by item or groups of like items.

An identification of sources of cost data used, including publication titles, or individual's names and addresses.

ADDITIONAL INFORMATION

PROJECT DATA BOOK

On some projects the appraiser may be asked to provide a sales data book which includes all sales data gathered in the development of the appraisals. The book shall be identified by the County and Project Number. The book shall include a sales map showing the location of all sales. The book shall be signed and dated. If additional sales are developed during the course of the appraisal assignment, copies of those sales shall be forwarded to the acquiring authority for inclusion in the book.

NUMBER AND SUBMISSION OF APPRAISAL REPORTS

An original and two copies of each appraisal report plus an extra Form 633-101 shall be prepared and submitted to the Chief Appraiser. The appraiser is advised to retain a copy for their files.

Contract appraiser's reports are submitted directly to the Appraisal Section unless delivery to another location is specified in writing by the Chief Appraiser.

REVISING THE APPRAISAL REPORT

➤ Minor Revisions

When the change causing the revision of an appraisal report is of a minor nature, either the appraisal reviewer or the appraiser may prepare the revision.

When the Chief Appraiser designates the review appraiser to prepare the revision, Form 633-501 will suffice. When assigned to an appraiser, a completed Form 633-301 will be prepared. The revision should identify the project and parcel, give the date of the appraisal that is being revised and explain the revisions and effect. The supplement should also state the before and after value as revised, the date of the revision and be signed by the appraiser. The review appraiser will attach this supplemental revision to the front of the original report. If the before and after values have changed, or if the