

Guidelines For Right-of-Way Appraisals



**Maryland Department of Transportation
State Highway Administration
Office of Real Estate**

January 1, 2020

Guidelines for Right-of-Way Appraisals

This guide has been prepared as a source of information of appraisal requirements for the preparation of narrative appraisals for Right-of-Way and other acquisitions, as well as for the disposition of excess real property.

The appraiser should understand that these requirements are minimum to an appraisal report and that additional data, when warranted, is to be included by the appraiser to fully document a report as recognized by generally accepted appraisal standards.

It is most important that an appraisal prepared for the Office of Real Estate conform to the guidelines set forth and to the professional appraisal standards as required by USPAP (Uniform Standard of Professional Appraisal Practice). The reason for these standards is that the appraisal is used in several ways by the Office of Real Estate and is the public face of the fairness and integrity of the “Just Compensation” process of MDOT/SHA.

The appraisal is used in the negotiations with a property owner, in which activity it is most important that the negotiator know where to find certain information in the appraisal. It is used in Court where our legal personnel must know the basic format of the appraisal in order to aid them in preparing their cases efficiently. The preparation of the appraisal report in conformance with these guidelines will facilitate its use by the Office of Real Estate for whatever purpose that may be required.

The securing of good appraisals, conforming to reasonable and acceptable standards, will result in smoother processing and promote the desired end result of obtaining the fairest possible determination of just compensation to which a property owner is entitled and, at the same time, assure that public funds for acquisitions are properly spent. Consequently, the Office of Real Estate will insist on a high-quality appraisal product from both fee and staff appraisers.

The appraiser should bear in mind that conformance to these guidelines is required by his/her contract to appraise a specific parcel or parcels for the State Highway Administration and, consequently, it will be assumed that the appraiser is aware of these requirements prior to entering into such an appraisal contract.

From time-to-time, you may receive revisions to these guidelines. It is suggested that you immediately substitute any revised pages for those contained therein.

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Purpose and Objective

This guide has been prepared as a source of information regarding legal authority, standards and guidance, appraiser qualifications and selection, responsibilities of the Appraisal Review Division and the Appraisal Division, as well as guidance on administration and special topics in reference to Right-of-Way appraisals for MDOT and SHA. These guidelines constitute a “living document” as procedures will evolve and change.

Included is an explanation of appraisal requirements for the preparation of an appraisal and what is required for the preparation of a narrative report. The appraiser should understand that these requirements are minimum to an appraisal report and that additional data, when warranted, is to be included by the appraiser to fully document the report as recognized by generally accepted appraisal standards.

The valuation function within MDOT and the Maryland State Highway Administration’s (SHA) Office of Real Estate (ORE) provides supported estimates of just compensation to reimburse owners for property acquired as Right-of-Way. Valuation serves a mandated constitutional role. It is the key means whereby SHA complies with the 5th Amendment of the US Constitution:

“...nor shall private property be taken for public use, without just compensation.”

In meeting this constitutional mandate SHA valuation staff and consultants treat property owners fairly and equitably. Fair treatment through supported valuations maintains the bond of trust between SHA and the public that enables the highway transportation program to progress with minimal conflict. This will be better accomplished if everyone understands the valuation process, the selection of appraisers, and the responsibilities of the Appraisal Review Division (ARD) and the Appraisal Division.

ORE will adhere to all applicable State and Federal laws and regulations affecting the appraisal function including the adoption of USPAP, where applicable. Properties will be appraised and just compensation established prior to the beginning of negotiations.

Non-Discrimination Policy

All policies and procedures described in these sections will be administered to comply with the provisions of Titles VI and VIII of the Civil Rights Acts of 1964 and 1968, respectively, to assure nondiscrimination and fair housing opportunities.

In all matters relating to appraisal and appraisal review as described in the following sections, no person or persons shall be excluded from participation in or otherwise discriminated against on the grounds of race, color, religion, gender, national origin, sexual orientation, age or disability. Any reference made to appraisers in this policy shall

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automatically apply to appraisers, appraisal reviewers, agency administrators and agency staff as well.

Appraisers cannot discriminate based upon owner or occupant of property acquired. All appraisers must provide equal treatment throughout the appraisal process. Appraisers must provide all persons the same opportunities for owner accompaniment during the property viewings. Appraisers cannot discriminate in the selection of sales, rents or selection of other market data based upon the previously noted protected categories. Appraisers cannot discriminate in making adjustments to those sales and must consider all appropriate approaches to value. When writing the report, appraisers must be careful to not use discriminatory terms or terms that could be construed to be discriminatory.

Confidentiality of Appraisals

An appraisal is a confidential communication between the appraiser and the client, defined as MDOT, SHA, and the Federal Highway Administration. The appraiser is not allowed to divulge the specifics of any appraisal to any unauthorized person without written permission from MDOT or SHA, except as directed by the Maryland Real Estate Appraisal Commission or a court of law.

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GENERAL CONCEPTS

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In Maryland, eminent domain appraisals must be prepared in accordance with the “State Rule” and opposed to the “Federal Rule”. In other words, the part acquired shall be paid for without exception and should “special benefits” be expected to accrue to the remainder as a result of the proposed acquisition, these can only offset incidental damages.

SHA's process of determining Fair Market Value involves development of a scope of work for valuation purposes. This may include several valuation formats that correspond to the complexity and estimated value range of the acquisitions or disposition. The appraisal waiver, staff 5C form or 5D appraisals and full fee/consultant narrative appraisals differ in level of detail and documentation. All result in an estimate of Fair Market Value and a determination of just compensation that is supported by documentation and meets the standards for establishing just compensation.

(a) ESTIMATE OF FAIR MARKET VALUE AND/OR JUST COMPENSATION

1. The Review Appraiser shall indicate an estimate of the Fair Market Value and/or just compensation on the State Highway Administration Form 19 for the “DETERMINATION OF AMOUNT TO BE OFFERED AND/OR DEPOSITED INTO COURT,” which is attached to each copy of the appraisal. This just compensation established by the Review Appraiser shall be in the Offer of Just Compensation provided to the property owner from whom real property interest is being acquired. This is the amount to be deposited in court for condemnation.
2. The following thresholds are established for the approval of FMV/Just Compensation:
 - a. A Real Property Review Appraiser I with less than one year of experience may take full signature authorization on appraisals on which FMV does not exceed \$50,000 at the discretion of the RPM or ARD.
 - b. A Real Property Review Appraiser I with one or more years of experience has an approval limit of \$300,000.
 - c. A Real Property Review Appraiser II has an approval limit of \$500,000.
 - d. A Real Property Manager (RPM) of ARD has an approval limit of \$750,000.

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- e. A Real Property Review Appraiser III or II (RPM or Review Appraiser II of ARD) must approve the action taken on appraisals when the Fair Market Value exceeds the Review Appraiser's established limits.
 - f. When the estimate of Fair Market Value exceeds \$750,000, the Director/Deputy Director, ORE must approve the action taken by the Review Appraiser and the RPM or Review Appraiser II of ARD.
 - g. All 5C's and 5D's must be approved by a Review Appraiser.
 - h. For appraisal waivers, approval by Review Appraiser is not required.
- 3. On the REVIEW APPRAISER'S REPORT form 19 the Review Appraiser should explain and reconcile differences between the appraisals when necessary. The reviewer should fully explain why an appraisal is being rejected.
 - 4. The reviewer should also give comments as to any information or guidance which may be helpful to the RPS acquiring or disposing real property interests.

(b) SUMMARY OF JUST COMPENSATION

The Review Appraiser should provide a summary of just compensation for each property appraised on FORM 19. The summary should indicate the breakdown between land and improvements, easements, damages, etc. The unit value should be indicated for all land and easement areas acquired. In addition, existing zoning and/or highest and best use should be included.

Fair Market Value

The term "Fair Market Value" is defined by the State of Maryland as:

FAIR MARKET VALUE DEFINED **(Section 12-105, Annotated Code of Maryland)**

The Fair Market Value of property in a condemnation proceeding is the price as of the valuation date for the highest and best use of the property which a vendor, willing but not obligated to sell, would accept for the property, and a purchaser, willing but not obligated to buy, would pay, excluding any increment in value proximately caused by the public project for which the property condemned is needed.

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In addition, Fair Market Value includes any amount by which the price reflects a diminution in value occurring between the effective date of legislative authority for the acquisition of the property and the date of actual taking if the trier of facts finds that the diminution in value was proximately caused by the public project for which the property condemned is needed, or by announcements or acts of the plaintiff or its officials concerning the public project, and was beyond the reasonable control of the property owner.

“It is the Fair Market as defined by the Annotated Code of Maryland that should be included in an appraisal in place of the USPAP or any other definition of Fair Market Value”.

Fair Market value for dispositions and assemblages used in SHA appraisals should read:

The most probable price that a property should bring in a competitive market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) Seller and buyer are typically motivated; (2) A reasonable time is allowed for exposure in the open market and payment is made in terms of cash in United States dollar or in terms of financial arrangements comparable thereto and; 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by someone associated with the sale. (IRWA)

(c) APPRAISAL SCOPE OF WORK

SHA's process of determining the Fair Market Value initially involves the development of a written scope of work that is prepared cooperatively with the appraiser and the SHA staff.

In addition to the instructions on valuation provided in this section, the Appraiser will be familiar with, and comply with, the guidance on special topics provided in the Compliance with Civil Rights and Nondiscrimination Requirements section. These provisions apply to valuations performed under all formats and which are required under Federal law or regulation.

The scope of work should contain/include these elements or characteristics:

SCOPE OF WORK

- Written statement
- Developed together by appraiser and agency
- Defines general parameters of work
- Prepared before appraisal work starts
- May be updated as needed

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The scope of work is a written statement agreed upon by the appraiser and SHA describing the appraisal work the appraiser is to do. It should be developed cooperatively by the assigned staff or contract appraiser and the Review Appraiser, who is competent to both represent SHA's needs and respects valid appraisal practice.

The scope of work statement should include the purpose and/or function of the appraisal, a definition of the estate/property to be appraised (if it is Fair Market Value, include its applicable definition), and the assumptions and limiting conditions affecting the appraisal.

The scope of work should consider the specific requirements in the URA definition of "appraisal" referenced in 49 CFR 24.2 (a)(3), the criteria for appraisals in Sections 24.103(a)(1) and (2) and 24.103(b), addressing each, as appropriate.

The scope of work should describe what the agency and the appraiser are to do and the mutually expected outcome of the assignment/contract. It should include parameters for the data search and identification of the technology, including approaches to value that are to be used to analyze the data. These are areas where SHA can provide input to assure the agency gets what is really needed without going overboard on appraisal work and buying more appraisal than necessary.

Once a "scope of work" has been developed and approved, SHA appraisal formats and forms can be utilized if they fit the approved scope of work. Currently, the Office of Real Estate utilizes four forms. They are:

- Appraisal Waiver (for staff use and approved by Real Property Manager)
- 5C - Staff or Consultant Appraisal (based on another approved appraisal)
- 5D - Staff or Consultant Appraisal
- Long Form - Staff or Consultant Appraisal
- Full Narrative Appraisal - Staff or Consultant Appraisal

They differ in level of detail and documentation. However, all result in an estimate of Fair Market Value and the basis for determination of just compensation that is supported and arrived at fairly. They meet constitutional obligations and Maryland statutory standards for just compensation.

It is important to determine the appropriate valuation format as early as possible. A preliminary decision as to whether a property may be valued using the appraisal waiver, staff appraisal or whether it requires a full appraisal is made when the Right-of-Way plats are delivered, and funds are approved for appraising.

A determination of the properties that require full property acquisitions and personality/realty reports should be noted as early as possible.

Below is a guide for preparing an appraisal scope of work for the Federal Highway Administration and is to be followed when valuing property for a project that includes Federal Highway funding.

https://www.fhwa.dot.gov/real_estate/uniform_act/property_valuation/sow4.cfm

Right-of-Way Property Valuation

Guide For Preparing an Appraisal Scope Of Work

January 2019

The Scope of Work is a written set of expectations that form an agreement or understanding between the appraiser and the agency as to the specific requirements of the appraisal, resulting in a report to be delivered to the agency by the appraiser. It includes identification of the intended use and intended user; definition of Fair Market Value; statement of assumptions and limiting conditions; and certifications. It should specify performance requirements, or it should reference them from another source, such as the agency's approved Right-of-Way or Appraisal Manual. The Scope of Work must address the unique, unusual and variable appraisal performance requirements of the appraisal. Either the appraiser or the agency may recommend modifications to the initial Scope of Work, but both parties must approve changes.

SCOPE OF WORK: The appraiser must, at a minimum:

1. Provide an appraisal meeting the agency's definition of an appraisal. *The definition of appraisal should be in the State DOT's FHWA-approved Right-of-Way or Appraisal Manual. For Federal-aid projects the definition must be compatible with the definition found at 49 CFR 24.2(a)(3).*
2. Afford the property owner or the owner's designated representative the opportunity to accompany the appraiser on the inspection of the property. *How this is to be handled should be in the State DOT's FHWA-approved Right-of-Way or Appraisal Manual.*
3. Perform an inspection of the subject property. *This should be specified in the State DOT's FHWA-approved Right-of-Way or Appraisal Manual.* The inspection should be appropriate for the appraisal problem, and the Scope of Work should address:
 - o The extent of the inspection and description of the neighborhood and proposed project area,

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- The extent of the subject property inspection, including interior and exterior areas,
 - The level of detail of the description of the physical characteristics of the property being appraised (and, in the case of a partial acquisition, the remaining property),
4. In the appraisal report, include a sketch of the property and provide the location and dimensions of any improvements. *Also, it should include adequate photographs of the subject property and comparable sales and provide location maps of the property and comparable sales as called for in the State DOT's FHWA-approved Right-of-Way or Appraisal Manual.*
 5. In the appraisal report, include items required by the acquiring agency, usually including the following list: *This should be in the State DOT's FHWA-approved Right-of-Way or Appraisal Manual.*
 - The property right(s) to be acquired, e.g., fee simple, easement, etc.,
 - The value being appraised (usually Fair Market Value), and its definition
 - Appraised as if free and clear of contamination (or as specified),
 - The date of the appraisal report and the date of valuation,
 - A realty/personality report is required per 49 CFR 24.103(a)(2)(i),
 - The known and observed encumbrances, if any,
 - Title information,
 - Location,
 - Zoning,
 - Present use, and
 - At least a 5-year sales history of the property.
 6. In the appraisal report, identify the highest and best use. If highest and best use is in question or different from the existing use, provide an appropriate analysis identifying the market-based highest and best use.
 7. Present and analyze relevant market information. *Specific requirements for market information should be in the State DOT's FHWA-approved Right-of-Way or Appraisal Manual and should include research, analysis, and verification of comparable sales. Inspection of the comparable sales should also be specified.*
 8. In developing and reporting the appraisal, disregard any decrease or increase in the Fair Market Value of the real property caused by the project for which the property is to be acquired, or by the likelihood that the property would be acquired for the project. *Certified or licensed appraisers are obligated by their state laws and USPAP to recognize this requirement in the regulations as a hypothetical condition which is required for legal purposes, is necessary for reasonable analysis, is necessary for the purpose of comparison, will result in a credible analysis and this hypothetical condition must be disclosed in the appraisal report in conformance with the provisions set forth in USPAP. This condition should be recognized in the scope of work discussion between the*

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agency and the appraiser (which occurs at the time of the assignment), acknowledged in the Scope of Work discussion in the appraisal report, and comply with the Scope of Work Rule in USPAP.

9. Report his or her analysis, opinions, and conclusions in the appraisal report.

Additional Requirements for A Scope Of Work

INTENDED USE: This appraisal is to estimate the Fair Market Value of the property, as of the specified date of valuation, for the proposed acquisition of the property rights specified (i.e., fee simple, etc.) for a Federally assisted project.

INTENDED USER: The intended user of this appraisal report is primarily the acquiring agency, but its funding partners may review the appraisal as part of their program oversight activities.

DEFINITION OF FAIR MARKET VALUE: This is determined by State law, but includes the following:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, each acting in what he or she considers his or her own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

CERTIFICATION: *The required certification should be in the State DOT's FHWA-approved Right-of-Way or Appraisal Manual.*

ASSUMPTIONS AND LIMITING CONDITIONS: The appraiser shall state all relevant assumptions and limiting conditions. In addition, the acquiring agency may provide other assumptions and conditions that may be required for the particular appraisal assignment, such as:

- The data search requirements and parameters that may be required for the project.
- Identification of the technology requirements, including approaches to value, to be used to analyze the data.
- Need for machinery and equipment appraisals, soil studies, potential zoning changes, etc.
- Instructions to the appraiser to appraise the property "As Is" or subject to repairs or corrective action.

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- As applicable include any information on property contamination to be provided and considered by the appraiser in making the appraisal.

NOTE: Here is the link to the page on the FHWA Realty website that contains this document:

https://www.fhwa.dot.gov/real_estate/uniform_act/property_valuation/sow4.cfm

Legal Authority and Guidance

The valuation function at SHA is performed in compliance with the following law and regulations:

1. United States Constitution
5th Amendment, Just Compensation clause
2. Maryland Annotated Code
See details at:
<https://mde.maryland.gov/programs/Permits/Pages/ComarOnline.aspx>
3. Code of Federal Regulations
49 CFR 24.102-105 Basic acquisition policies; criteria for appraisals; review of appraisals; acquisition of tenant owned improvements.
23 CFR 710 Criteria for real property acquisition on federally funded highway projects.

Appraisal Standards and Guidance Documents

SHA adopts the following documents as appraisal standards. They provide technical guidance for the preparation of real estate appraisals, and they define acceptable appraisal process and content.

Federal Regulations at Title 49 CFR Part 24, Section 24.103 to 105:

The cited regulations issued by the FHWA comprise the Federal regulatory requirements that are the primary authority to be followed in the preparation of appraisals and the conduct of appraisal reviews for federally assisted projects. The standards referenced in the following sections are secondary to these requirements. The regulations can be accessed at:

<https://highways.dot.gov/>

Uniform Standards for Professional Appraisal Practice (USPAP):

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This is published by the Appraisal Standards Board of the Appraisal Foundation. A pledge of compliance with the USPAP is required for certification and licensure of appraisers in Maryland.

<http://uspap.org>

Uniform Standards for Federal Land Acquisitions (“The Yellow Book”):

This was published by the Interagency Land Acquisition Conference (comprised of representatives from Federal agencies engaged in the acquisition of real estate public uses). This document is specifically applicable to direct Federal acquisition but it’s content may be relevant to State sponsored projects. These standards may be referenced for appraisal preparation as appropriate and applicable. Copies are available at:

<https://www.justice.gov/file/408306/download>

FHWA Project Development Guide

The Federal Highway Administration published this guide. It is an information document that is specific to administering federally assisted highway projects. The “Project Development Guide” addresses “best practices” as well as requirements in law and regulations. Copies are available at:

<https://flh.fhwa.dot.gov/resources/design/pddm/Cover.pdf>

The documents above are the resources for preparation for appraisals for the SHA property acquisition. Questions on the applicable requirements, standards or issues of consistence between documents should be directed to the Real Property Manager or Review Appraiser.

Organization

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The valuations function in SHA is administered within the framework of self-directed and multidisciplinary district project teams. The team concept utilizes all the skills and authority necessary to bring a project from concept through construction. The valuation products, compensation estimates, or appraisal reports are performed under guidance of the Chief of Appraisal Review. The Review Appraiser assigned to the project performs the appraisal review function.

The Office of Real Estate, Appraisal Review Division, and Appraisal Division located in the main office in Baltimore, provides specialized support and guidance on valuation. Real Property Managers, Team Leaders and Real Property Agents will prepare the bid packages for securing appraisers for the project.

Review Appraisers will recommend appraisers that are qualified for the project, special studies that are needed for specific projects and provide support on valuation issues for the project team. Additional SHA staff may be consulted as needed during the appraisal scoping process.

The Appraisal Division is within SHA yet is separate from the Appraisal Review Division. The Appraisal Division is responsible for producing USPAP compliant appraisals for SHA and other MDOT models.

Scope of SHA Property Valuation Services

The primary role of valuation in SHA is to establish the Fair Market Value of property that will be acquired for transportation projects and disposition of excess property. SHA's property valuation function has the following significant additional value related roles and responsibilities:

- Recommend and approve the agency's appraisal;
- Approve offers of just compensation for the agency;
- Assist in general project Right-of-Way cost estimates;
- Perform appraisal review services;
- Advise on proposed administrative settlements;
- Determine incremental value of access control modifications or new points of access to property;

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- Advise staff of local governments on Federal and State valuation requirements or criteria;
- Assign and oversee consultant appraisal services when utilized;
- Approve valuation of uneconomic remnants;
- Advise on fair rents for SHA owned property under property management;
- Respond to public and official inquiries about the valuation process;
- Revise valuations arising from plan changes (determination appraisals based on approved appraisals);
- Assist in determining market rents or other value allocations for certain relocation benefits;
- Review appraisals for disposal of surplus property.

Appraiser Qualifications

Staff Appraisers

One of the functions of real estate specialists is appraising, and specialist may be used as staff appraisers, at the discretion of their supervisors, as long as they possess both the knowledge and experience to perform a specific appraisal assignment competently. Although state licensing is not required, qualifications and experience should be consistent with the scope of work for the assignment.

Specialists

Experts, such as builders, geologists and engineers, who specialize in estimating machinery and equipment, moving, plumbing, etc., and experts on specific types of property or valuation experts used to testify in condemnation cases are not specifically required to meet any set educational or experience criteria. If specialists or experts are required, inquiries are

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made to assure the state of the expertise and the reputation of the specialist or expert in his/her field.

Fee Appraisers

In order to be placed on the Approved Fee Appraiser's list every appraiser must be currently State licensed in accordance with Title XI and experienced in the type of appraisal required and knowledge of the area/location of the properties.

SHA will appropriately analyze appraiser qualifications and work product prior to placing them on the list of approved appraisers. Some of the considerations for bidding appraisers for a specific assignment are:

- Competency
- Experience
- Education
- Training
- Current workload on other projects
- Location of property and appraiser's geographic competence
- Current certification/licensing
- Professional designations
- Must be willing to attend in-house training courses provided by the Office of Real Estate.
- Must not be an active employee of the State of Maryland or other government agency
- Must agree to abide by SHA's contract specifications

The Review Appraiser and others will also discuss the qualifications and the expertise required for each appraisal assignment during the scoping process.

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Fee Appraiser List

SHA's Approved Fee Appraiser List is maintained by ARD. The Director, Office of Real Estate, and the Chief of The Appraisal Review Division determine who may be placed on the list and who may be removed from the list of fee appraisers.

The process of application to SHA's Approved Fee Appraiser's List begins when a fee appraiser sends a letter of intent to the Chief, ARD expressing his/her desire to be placed on the approved list. Upon receipt of the letter of intent, ARD will send a request for copies of appraisals completed by the applicant and a copy of the appraiser's license/certification along with an application to the fee appraiser.

Applicants must meet the minimum criteria listed previously in these guidelines. The following are procedures for placement on SHA's Approved Fee Appraiser List:

- 1. The prospective fee appraiser submits all completed documents to the Chief, ARD. Subsequent to the chief's preliminary review, he forwards the documents to the chief of the appropriate Right-of-Way office.**
- 2. The Right-of-Way chief and the district Review Appraiser reviews the completed documents, assigns the appraiser a demonstration appraisal to be completed, and then reviews the completed appraisal for contract compliance.**
- 3. SHA will pay reasonable costs for the demonstration appraisal.**
- 4. The division chief returns to the Chief, ARD the completed appraisal, the completed documents, along with a joint recommendation with regard to the appraiser's application.**
- 5. The Chief, ARD reviews the completed appraisal in conjunction with the recommendations and/or comments made by the Division Chief and District Review Appraiser and then, in turn, forwards all of these documents, along with his/her recommendations, to the Director, ORE for final determination.**
- 6. If the director approves the application, the appraiser is placed on the approved fee appraisers' list.**

Determining Appraisal Fees

An estimate of appraisal fees may be necessary for budgetary reasons. When that is the case, the Review Appraiser will assist the Right-of-Way staff in developing an estimate by property or project basis.

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Appraiser Selection

Appraisers will be selected from the current approved appraiser list maintained by Appraisal Review Division of the Office of Real Estate. The appraisers on the list are pre-qualified based on:

- application to Appraisal Review for consideration
- possession of current license
- completion of demonstration appraisal for SHA (This assigned sample of work is often a duplicate of work bid to another appraiser to demonstrate knowledge and competence for eminent domain appraisals.)

The Real Property Manager will select the appraisers from the approved list to bid for a specific project based on the following:

- Knowledge of SHA policies.
- Availability to perform and submit the appraisals within the allotted time.
- Previous successful experience in appraising the type of properties that will be affected or acquired for the project.
- Willingness to revise appraisals if there are plan changes.
- Availability and ability to testify to value in court for legal proceedings or at Boards of Property Review.
- Appraiser's listed counties of expertise.
- Recommendation from Review Appraiser.
- Appraiser's current workload.

It is in the long-term interest of SHA to develop a number of appraisers who are expert in a variety of property types and specialties; to employ appraisers from throughout the State; and to provide opportunities to appraisers who represent the diversity of the State as to race, ethnicity, religion and gender. Therefore, SHA will strive to broaden the number of

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appraisers selected for appraisal assignments, rather than rely on repeated employment of a few appraisers.

Appraiser Licensing

Consultant/fee appraisers employed by SHA will be licensed or certified by the Maryland Department of Labor, Licensing and Regulation. Following are the areas of authority for the various licenses.

Licensed Real Estate Appraiser May provide appraisal services in federally related transactions with:

- 1) non-complex one to four-unit residential properties with a transaction value less than \$1,000,000;
- 2) complex one to four-unit residential properties having a transaction value of less than \$250,000;
- 3) commercial properties having a transaction value of less than \$250,000.

Certified Residential Real Estate Appraiser May provide appraisal services in federally related transactions with:

- 1) one to four-unit residential properties without regard to value or complexity; and,
- 2) commercial properties having a transaction value of less than \$250,000

Certified General Real Estate Appraiser May provide appraisal services in federally related transactions with all types of residential or commercial real property without regard to value, or complexity

Appraiser Trainee Must work under the supervision of a supervisory certified appraiser.

A. To be eligible to serve as a supervising appraiser, an individual:

- (1) Shall be in good standing;
- (2) May not have been subject to any disciplinary action within the immediately preceding 3 years; and
- (3) Shall have held a certified residential or certified general real estate appraisal license for at least 3 years.

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4) A supervising appraiser may supervise a maximum of three trainees at one time.

(5) A supervising appraiser must complete a Commission-approved course that, at a minimum, complies with the specifications for course content established by the AQB and is oriented toward the requirements, expectations and responsibilities of supervisory appraisers.

(6) A supervising appraiser shall approve, sign and accept responsibility for each appraisal report prepared by a trainee under the supervision of the supervising appraiser.

Bidding Appraisals

Low Bid

SHA procures appraisers by two methods, but the primary method is low bid. Bid packages are sent to appraisers requesting that they submit a bid by a specific date. The Procurement Officer/Real Property Manager is responsible for the bidding.

The bid package is prepared for mailing and contains:

- Address and location of the property/properties to be appraised
- Due date for return of sealed bid
- Scope of Work

Right-of-Way plan sheets and Right-of-Way plats are kept at the district or headquarters office until the winning bid is received. On the due date of the bids, the received bids are opened, and the lowest bidder becomes the appraiser for the job/project. All bidders are notified.

Sole Source

Sometimes it is necessary to bid an appraisal to a single appraiser. Reasons for this are:

- Consistency- The appraiser completed appraisals on other properties on the project and should be used for consistency in values.
- Time- The appraisal is needed in a short amount of time and the appraiser has the expertise and can meet the shortened due date.
- Complexity and anticipated Court testimony- The appraiser has the expertise to complete the assignment and is preferred by the Legal Department for anticipated Court testimony.

QUALITY ASSURANCE
And
PRE-ASSIGNMENT

Quality Assurance

Quality assurance in valuation is most visibly and continuously exercised in the appraisal review process. This process acknowledges the primary importance of factual accuracy, consistency and fairness in determining Just Compensation.

Quality assurance in valuation extends beyond appraisal review. It is the responsibility that is shared by all persons and administrative levels involved in the valuation function. The Director of the Office of Real Estate (ORE) and staff will establish goals and provide policy guidance for improving the level of quality in the valuation process. The ORE Real Property Managers and Team Leaders will provide quality assurance feedback to Appraisal Review staff that will be considered for future project scoping.

Quality assurance actions are scaled to the staff resources and current project workload. All professional staff will perform specific quality assurance tasks focusing on one or more of the following factors:

- Evaluate and improve coordination and communication with the project manager and team members responsible for other project development activities;
- Assign staff and fee appraisers in a timely manner;
- Promote more effective use of information technology to improve efficiency, lower administrative costs and improve product delivery time;
- Assess appraisal related training needs of staff personnel and suggest method of delivery of training;
- Identify critical path tasks involving appraisals and valuation to eliminate barriers to timely completion of these activities;
- Informally and verbally evaluate performance of consultant appraisers concerning support for value, quality of documentation, depth of analysis and timely delivery of appraisal products and revisions, when needed;
- Effectively and constructively evaluate staff valuation personnel and provide verbal feedback (informal training);
- Develop and understand valuation requirements, policy, practices and agency forms that support the effective and expeditious acquisition of Right-of-Way; and

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- Provide information to Real Property Managers on staff's performance on appraisal related activities, when requested.

Quality assurance tasks performed by professional staff are reported in a manner determined by the Director of ORE and the Chief of Appraisal Review. The goal is to continuously improve the performance level of valuation activities (i.e. appraisals, appraisal reviews, estimates, etc.) in terms of cost efficiency, timeliness and quality of work products. This information can also be utilized for future training and newsletter articles.

Value Information Submitted by Property Owners

Value information submitted by property owners will be reviewed and considered to the same extent as if the information had been secured directly by SHA. If the information is sufficient to warrant consideration, the Fair Market Value may be adjusted to reflect the new information. However, a Fair Market Value estimate will not be reduced after the offer has been delivered to the property owner.

Appraiser Performance Evaluation

Maryland State Highway does not complete formal or written evaluation of appraisers. The Review Appraiser will provide verbal feedback, if requested, regarding quality of appraisals, timeliness, etc.

Confidentiality-Disclosure of Appraisals

All appraisal reports and other valuation documents are available to the property owner upon request. Disclosure may help settle an Eminent Domain case or assist the mediation or arbitration process.

The Review Appraiser will critique and review appraisals from property owners when asked by attorneys. The purpose is to analyze information presented and make recommendation on possible settlement value.

USPAP Jurisdictional Exception

Certified and licensed appraisers in Maryland and other States are required by certification statutes to comply with the **USPAP**, promulgated by the Appraisal Standards Board of The Appraisal Foundation. MDOT is required to comply with several other regulations and laws concerning property valuation.

Pre-Assignment of Appraisal

FIELD INSPECTION AT INITIATION OF A PROJECT

An ARD Representative will meet with the Right-of-Way Project Team to view the project. Together they will determine the following:

1. Which properties are to be appraised by staff or fee appraisers?
2. The need for machinery and equipment valuations
3. The need for engineering studies
4. The potential relocation problems
5. If any on-premises signs are to be considered as personal property
6. Identify improvements to be acquired, etc.

REALTY/PERSONALTY DETERMINATIONS BY THE TEAM LEADER

The team leader is responsible for securing a determination as to what is realty and what is non-realty items. This should be done before ordering appraisals. A list of the tenant-owned improvements is to be secured by the team leader whenever possible. The team leader will seek advice from the Office of Counsel when needed.

These determinations as to real/personal property are to be provided to the appraiser and the Review Appraiser and should be included in the report.

PROCEDURES OF FEE APPRAISERS AND/OR SPECIALISTS

When appraisals for acquisitions, excess land, advance purchases, etc. are needed the Division/District Chief or Procurement Officer will follow standard procurement regulations regarding sealed bid and/or sole source solicitation. These regulations are prescribed by current ORE Appraisal Guidelines, Maryland Department of Transportation Policy, the Maryland Annotated Code, and Appraisal Contract Procedures, Section 504.1.3.1.

ASSIGNMENT OF APPRAISALS AND SPECIALTY REPORTS

1. The owner or the owner's representative must be given an opportunity to accompany the appraiser and or specialist during the inspection of the property. This is also necessary for sign and site appraisals. Documentation must be maintained and should be included with the final appraisal.
2. To the extent permitted by applicable law, the appraiser shall disregard any decrease or increase in the Fair Market Value (FMV) of the real property caused by the project for which the property is to be acquired, or by the likelihood that the property would be acquired for the project, other than that due to physical deterioration within the reasonable control of the owner.
3. There will be no consideration of moving costs or relocation benefits in the appraiser's report as it relates to just compensation.
4. Fee appraisers should be selected from the list of approved fee appraisers.
5. Uneconomic remnant recommendations will be made by the Review Appraiser.

NUMBER OF APPRAISALS

The Office of Real Estate will obtain at least one acceptable appraisal on each property being acquired.

Subsequent appraisals may be requested upon mutual agreement between the Ordering Office, Office of Counsel and ARD.

SPECIALTY REPORTS

NUMBER OF SPECIALTY REPORTS

ORE will obtain at least one acceptable report for machinery, equipment or other specialty items, as indicated by the circumstances of the case.

FEES

The division chief or procurement officer responsible for ordering the appraisal will follow all applicable procurement regulations regarding sealed bid and/or sole source solicitation. All appraisal assignments will be in accordance with COMAR Regulation 21, which provides solicitation for any contract entered into by the State of Maryland; the Maryland Annotated Code; and ORE Directives.

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CONTRACT PROCEDURES

FEE APPRAISALS

1. ORDER FOR FEE APPRAISALS along with the ANTI-BRIBERY AFFIDAVIT will be prepared and completed indicating the time the form must be returned for consideration, the time that will be allotted for completion of the appraisal (if awarded), and the allowance for pre-trials, BPR, and condemnation testimony, and sent to the fee appraisers solicited.
2. The fee appraiser retains one copy of the ORDER FOR FEE APPRAISAL and ANTI-BRIBERY forms for the file and returns the original, signed, with the amount of the fee to the acquiring District Right-of-Way Office. If the form is returned after the time limit prescribed, he/she will not be considered for the awarding of the contract. Facsimile copies and signatures are acceptable.
3. The procurement officer will award the contract based upon the lesser fee of those proposals returned, and by completion of the ORDER FOR FEE APPRAISAL. The signed copy of the contract will be returned to the fee appraiser. The original and one copy will be retained in the district or headquarters file.
4. When the appraisal is received:
 - a. The date the appraisal was received will be noted on the suspense copy of the ORDER FOR FEE APPRAISAL.
 - b. The date the appraisal is received will also be noted on a copy of the APPRAISAL TRANSMITTAL form, a copy of which will be attached to the appraisal along with the appraiser's invoice.

SOLE SOURCE CONTRACT PROCEDURES

The request for a sole source appraisal is submitted to and approved by the Director/Deputy Director of ORE or the Office of Counsel prior to the ordering of the appraisal.

2. The form, ORDER FOR FEE APPRAISAL, will be prepared in accordance with customary contract procedures.
3. The fee appraiser returns the ORDER FOR FEE APPRAISAL form, signed, with the amount of the fees and the completion date of the appraisal shown. This form must be returned in the specified time to be considered.
 - (a) If the fee closely approximates the original estimate and the completion date are satisfactory, and if the form was returned within the prescribed time limit as specified in the contract, the division chief will sign the contract accepting it for SHA.

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A copy of the contract will be returned to the fee appraiser. The original is retained in the district and one copy is retained in HQ's office.

(b) If there is a substantial difference between the original estimate and the appraiser's fee, the division/district chief is to:

(1) Reconcile the difference with the fee appraiser

or

(2) Submit a revised estimate, together with recommendations and the fee appraiser's reasons for justifying the fee

or

(3) Submit a recommendation for review by the Director/Deputy Director not to accept the fee.

After investigating and reviewing the information, the Director/Deputy Director will advise the district of the determination. If the Director/Deputy Director does not accept the appraiser's fee, the district will be advised to secure another appraiser.

(c) If the completion date submitted by the fee appraiser is not satisfactory, the difference in completion dates must be reconciled or the appraisal request is to be submitted to another appraiser.

5. When the appraisal is received:

(a) The date the appraisal is received will be noted on the suspense copy of the ORDER FOR FEE APPRAISAL form.

(b) The date the appraisal is received will also be noted on the APPRAISAL TRANSMITTAL form, a copy of which will be attached to the appraisal along with the appraiser's invoice.

6. After the appraisal report is transmitted to the Review Appraiser indicating the appraisal is in accord with the "Guidelines," the copy of the ORDER FOR FEE APPRAISAL form, or the letter requesting an update, with the invoice attached, will be sent to the appropriate section so that the invoice may be processed for payment. Appropriate FMIS procedures will be followed.

TYPES OF APPRAISAL REPORTS

TYPES OF APPRAISAL REPORTS/Minimum Requirements

All appraisal reports must be on the forms or in the formats as established in ORE Directives.

(a) APPRAISAL AND REPORT UPDATES

There are circumstances where it may become necessary to the appraisal report to be updated, the procedures described in this section should be followed:

1. All requests to appraisers or specialists for updating their appraisals and/or reports shall be in writing with a requested completion date stated.
2. The fee for said request is to be based on the time involved to perform the work and the per hour rate on the original bid form.
3. Upon completion of the appraisal update, MDOT SHA "APPRAISAL TRANSMITTAL" form will be prepared and distributed.

MINIMUM REQUIREMENTS AND TYPES OF ACCEPTABLE APPRAISAL REPORTS

The publications Guidelines for Right-of-Way Appraisals and/or the Reproduction Cost Index for Outdoor Advertising provide the minimum requirements for the preparation of appraisals and specialty reports for SHA by both staff and fee appraisers and qualified experts. All reports received from fee appraisers should conform to USPAP.

Appraisals or reports prepared for ORE are to conform to these guidelines. Periodically, revisions will be made to these publications and the most current issue or revision will govern.

An original and two copies of all appraisals, specialty reports, revisions and addenda are to be submitted to ORE.

The following appraisal forms are to be used when preparing real estate appraisals for ORE:

1. The SHA Appraisal form known as the "LONG FORM" may be used in the appraisal of any property.
2. Either a complete or summary "NARRATIVE" report may be used as long as it conforms to the ORE's Guidelines for Right-of-Way Appraisals and USPAP.

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3. The SHA Appraisal form known as the "SHORT FORM" (5-D) is limited in its use to the appraisal of partial acquisitions, where the following conditions exist:
 - a. There is no apparent adverse effect on the remainder;
 - b. The highest and best use and unit value remain the same in the after condition of the real property being appraised;
 - c. Only the comparative sales data approach to value is considered appropriate;
 - d. There is no leasehold interest in the land.
4. The SHA "VALUE FINDING" (5-C) form is a short form which is limited in use to appraisals in which the taking, including easements and on-sites, is limited to \$15,000.00 or less. In rare, extraordinary circumstances, the RPM of ARD, may authorize its use for other purposes.
5. The SHA "VALUE FINDING FOR EXCESS LAND" form is a short form which may be used in certain circumstances when specific criteria are met. Use of this form is limited to appraisals in which the estimated value of the excess land is considered to be \$10,000.00 or less. In rare, extraordinary circumstances, the RPM of ARD, may authorize its use for other purposes.
6. A "WAIVER OF APPRAISAL" may be used on minor acquisitions of \$10,000 or less.

It is the responsibility of the appraiser to include any forms, certifications, or limiting conditions required to make the SHA long form and the SHA short form compliant with USPAP.

APPRAISAL OR SPECIALTY REPORT OF RECORD

Upon receipt of the appraisal by ARD, the original copy will become the record copy and may not be returned to the appraiser.

All original pages of any corrections, revisions or addenda become a part of the record copy of the appraisal when they are received by the acquiring District ROW Office or ARD.

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Any revised appraisal pages are to show the revision date and an original and one copy must be submitted. A new certification must also be submitted when there is a change in value or a change in the date of value. Original pages are to be voided and retained with the record copy.

(b) APPRAISAL WAIVERS

1. The appropriate use of appraisal wavers and in completing the appraisal waiver process is as follows:
 1. The purpose for which the current appraisal waiver policy has been established is to simplify the acquisition process for acquisitions of land that are estimated to be valued at \$10,000 or less.
 2. The District Right-of-Way personnel should consult with a member of ARD for assistance prior to establishing whether just compensation for a property acquisition will be determined utilizing an appraisal waiver.
 3. The limit on completing an appraisal waiver is \$10,000. It should be noted that this limit is only with regard to the land's value. On-sites and landscaping can be in addition to this limit.
 4. The appraisal waiver should be completed only on properties with small non-complex acquisitions that have little or no risk of needing litigation. At no time should an appraisal waiver be completed for an acquisition that may involve damages to the remainder or a change in the highest and best use of the property.
 5. The person completing the appraisal waiver must maintain a good working file that indicates how the amount of just compensation being offered was established. This file should include a sales brochure with all comparable sales data and all other supporting information utilized.
 6. After completing all necessary research and establishing the value of the proposed acquisition, the person completing the appraisal waiver should complete the "Real Estate Value Estimate" form.
 7. All appraisal waivers must be administratively approved by a Real Property Manager of the District ROW Officer.
 8. A letter of offer of just compensation (form 200) must be completed indicating the amount and breakdown of how the just compensation was obtained. The word "waiver" **must** be inserted in paragraph 2 after the word "appraisal" and the words "made by a qualified appraiser" **must** be deleted.
 9. At no time should a property be filed into condemnation based on an appraisal waiver. If a property that has been negotiated based on an appraisal waiver requires filing into condemnation, an acceptable appraisal should be prepared prior to submittal to the SRC.

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2. Each appraisal will be reviewed by the ordering office to assure that the appraiser has complied with the terms of the contract and that the form and factual content of the appraisal is satisfactory.

(c) DETERMINATION APPRAISALS

1. A determination appraisal is prepared by the Review Appraiser in any of the following circumstances:
 1. The Review Appraiser rejects the appraisal(s)
 2. There is inadequate time to request an updated appraisal and to complete the review
 3. To be consistent in establishing the Fair Market Value on similar adjoining properties
 4. When the reviewer accounts for minor plat changes. The determination appraisal should be supported by reference to other appraisals on the project, factual items in the appraisal(s) submitted on the specific property, or other value items or evidence known by the Review Appraiser(s).

APPRAISAL REVIEW PROCESS

APPRAISAL PROCESSING

REVIEW AND TRANSMITTAL

1. Each appraisal will be reviewed by the ordering office to assure that the appraiser has complied with the terms of the contract and that the form and factual content of the appraisal is satisfactory.
2. Exceptions and other pertinent comments are noted by the division/district chief, who signs the form and transmits the appraisal directly to the Review Appraiser assigned to the area or project.
3. When transmitting additional appraisal(s) on a property previously appraised, the reason(s) the additional appraisal(s) have been secured should be stated.

ACTION TAKEN ON APPRAISAL AND REPORTS BY THE APPRAISAL REVIEW DIVISION

It is the responsibility of the Review Appraiser to take appropriate action on all appraisals and reports and to assure that appraisals and reports substantially comply with requirements set forth in the Guidelines for Right-of-Way Appraisals and ORE Directives.

RECEIVING NOTICES OF APPRAISAL TRANSMITTALS

All appraisal transmittals received are to be stamped with the date of receipt. The date of receipt along with the item number, district, agency, contract number, property name, appraiser's name, and reviewer's name are added to ARD's project tracking program.

RECEIVING APPRAISALS BY THE REVIEW APPRAISER

All appraisals and reports received will be stamped with the date of receipt. The date of value, action taken, amount of approval (depending on action taken) and date approved is added to ARD's project tracking program (OREMS) for future reference. All information concerning revisions and/or additional comments is also to be included OREMS.

Copies of the REVIEW APPRAISER'S REPORT will be attached to the appraisal and sent to the division/district chief, who in turn makes the appropriate distribution of the copies to the central file, district file, Review Appraiser, etc.

REVIEW PROCEDURES

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It is the responsibility of the Review Appraiser to ensure that the appraisals received are based on sound appraisal theory and contains appropriate documentation to explain clearly the reasoning and analyses behind the appraiser's final reconciliation and determination of compensation.

FIELD INSPECTIONS

The Review Appraiser will make a field inspection of:

1. Each property being appraised
2. Comparable sales and rentals used in the appraisal
3. Other market data that may be considered relevant in establishing an estimate of just compensation
4. Machinery, equipment or other specialty items being valued

If a field inspection is not made, the file and review certification should be documented with the reasons.

DISTRICT ASSISTANCE

The district office, requesting agency, etc., are to provide adequate plans, plats, cross sections and other information that may be required to assist the reviewer and the appraiser.

The district office or division will provide personnel to assist the reviewer in the location of the property and the comparable sales and rental when requested.

REVIEW CRITERIA

The reviewer must assure that:

1. The appraiser has used sound appraisal principles and practices in the development of Fair Market Value.
2. The appraisal meets the requirements for form, fact and reasonable conclusions and contains adequate justification and documentation.
3. Only compensable items are included in the Fair Market Value shown in the appraisal report.
4. The appraiser has properly shown the breakdown of the Fair Market Value and any resulting damages.

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5. The appraiser has considered all applicable approaches to value.
6. A realty/personalty inventory should be included in the appraisal report for all improvements being valued.
7. An inventory is prepared, and an opinion obtained whenever there is a question of what personal property in appraisals on industrial and commercial properties is.
8. A list of real property of the tenant is included in the appraisal report on tenant occupied commercial and/or industrial properties when applicable.
9. The reviewer has considered the possibility of an uneconomic remnant and stated the reasons and justifications for this determination on the REVIEW APPRAISER'S REPORT.
10. The reviewer or appraiser has established carve-out values (residential properties) as well as economic rents where applicable for the use in determining relocation housing payment eligibility.
11. Appraisals and reports are substantially in compliance with the requirements set forth in the ORE Guidelines for Right-of-Way Appraisals, the Uniform Act for Federal Projects, and ORE Directives.

CONFERENCES WITH APPRAISERS AND SPECIALISTS

The Review Appraiser will maintain a record documenting the purpose and the results of all conferences with appraisers and/or specialists. A copy of the record of each conference will be sent to ARD immediately following the conference.

PROCESSING OF APPRAISALS WHICH HAVE ERRORS OR OMISSIONS

Appraisals submitted for review are to be processed in as short a time as possible. When the appraisal contains errors or omissions the Review Appraiser is to request immediate correction. This may be done through the person or office who originally ordered the report or by the Review Appraiser directly. When the Review Appraiser feels that the appraiser should provide further justification for technical or non-factual conclusions, the appraiser is to be contacted directly.

CORRECTIONS BY THE REVIEW APPRAISER

The Review Appraiser may make minor mathematical corrections that do not affect the appraiser's final value.

Minor omissions not affecting value may be supplemented by the Review Appraiser.

All corrections or additions of information shall be initialed and dated by the Review Appraiser.

CODING OF ACTION TAKEN

All appraisal reports are coded by the Review Appraiser.

“S” Appraisals with this designation are recommended for use in negotiation and/or condemnation and, in the opinion of the Review Appraiser, are substantially in compliance with requirements set forth in the ORE Guidelines for Right-of-Way Appraisals. A copy of this appraisal is returned to the district Right-of-Way office for use in negotiation. The original is filed in the HQ's file in Baltimore.

“A” Appraisals with this designation are, in the opinion of the Review Appraiser, substantially in compliance with the requirements set forth in the ORE Guidelines for Right-of-Way Appraisals and lends support to the selected (S) appraisal. This appraisal is retained in the HQ's file in Baltimore. The district Right-of-Way office may request a copy of the appraisal to assist them in settling a case administratively or for condemnation purposes.

“R” Appraisals with this designation, in the opinion of the Review Appraiser, are not substantially in compliance with the requirements set forth in the ORE Guidelines for Right-of-Way Appraisals. The fee for rejected appraisals will not be eligible for federal participation and will not be used for negotiation. A written report should detail the areas of concern/non-compliance.

The rejected appraisal is retained in ARD files. Any conference with the appraiser should be documented and be forwarded to the RPM of ARD.

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(b) Appraisal Waiver

The Appraisal Waiver is a method of estimating value on an uncomplicated acquisition when value is expected to be under \$10,000. The Appraisal Waiver is not an appraisal and cannot be used to file condemnation.

The use of the Appraisal Waiver recognizes that many properties acquired by SHA do not require the depth of analysis and detailed documentation that is required in a formal appraisal. The use of the simplified format allows a timelier performance of valuations, expeditious negotiations and quicker delivery of Right-of-Way for project construction. Also, property owners easily understand the Appraisal Waiver and are in a better position to make an informed decision to settle.

The requirements for use of the Appraisal Waiver are:

- Total amount to be paid does not exceed \$10,000
- Highest and best use is the present use and will not change as a result of the acquisition for the proposed project.
- The valuation problem is uncomplicated.
- There are no damages to be compensated.
- The acquisition involves vacant land or land with improvements that are not significantly impacted.
- The acquisition may also involve onsite improvements (e.g. landscaping, paving). Onsite improvement value may be estimated based on the estimated cost to replace ("cost to cure").
- The value can be adequately estimated by sales comparison with minor adjustments.
- Property owners must be offered an option for an appraisal.
- Information to be used to estimate value may include:
 - Recent appraisals on the same or nearby projects.
 - Assessment value by State Department of Assessment and Taxation.
 - Recent sales in close proximity of the property.

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The Appraisal Waiver is completed and signed by an experienced Specialist. The Real Property Manager approves and signs the waiver. The same Real Property Specialist who completes the Appraisal Waiver may also present it to the property owner.

(c) Staff Appraisals-5C and 5D

Another in-house form of appraising acquisitions that are estimated to be less than \$15,000 are the 5C and 5D appraisals. Experienced staff can utilize these forms to value the acquisition. The Review Appraiser will review and approve both forms for the basis for developing an offer of Just Compensation. Information that may be used for supporting the value in the 5C is:

1. Approved appraisal on the same project or another recent project that is proximate to the property.

Information that should be included for supporting the value in the 5D is:

1. Recent sales near the subject property.
2. Recent approved appraisals that support the final value.
3. Assessment information that supports the final value.

(d) Full Appraisal

Applicability of an Appraisal

In general, a full appraisal is secured to support any property acquisition that exceeds the values for the Appraisal Waiver or Staff Appraisal as previously mentioned. However, a full detailed appraisal may also be secured regardless of value or complexity if acquisition by Eminent Domain is expected, or if there is reasonable uncertainty as to the use of other methods based on value. When uncertain, it will be resolved in favor of securing a full detailed appraisal.

Additionally, the property owner has the option to request a full appraisal after presented with an Appraisal Waiver.

Information Provided at Appraisal Assignment

Consistent with the scope of work previously discussed, SHA will provide the appraiser with property data necessary to complete the assignment. The following items should be provided or available to the appraiser:

- Approved bid contract;
- Construction Plan sheet showing property lines intersecting the Right-of-Way, Right-of-Way lines, parcel types and areas, major improvements and topographical data;
- Right-of-Way Plat showing the property affected by the acquisition, preferably with location of improvements;

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- Ownership of property based on State Department of Assessment and Taxation.

Other data about the parcel will be provided if it is available. The appraiser is responsible to inform SHA if the information provided is not sufficient to complete the appraisal assignment. Sometimes, an appraisal may be bid to establish the Before Value when time is limited, and Right-of-Way plats are not yet available. Additional time will be allowed after the receipt of plats to complete the appraisal with After Value.

Appraiser Preparation

The appraiser is responsible to ensure that all property and ownership information necessary to perform the assignment has been provided or secured by the appraiser. SHA staff should be contacted if needed information is absent or incorrect. The appraiser will review the ownership report and project plans early in the assignment. Ownership data for the previous 5 years is to be entered in the appraisal. If there are any uncertainties with the construction plans, the appraiser should resolve them with the SHA project staff. For example, the appraiser should clarify whether fencing or landscaping that are removed for the project will be replaced as a construction contract item or are to be added as contributory value in the appraisal.

If needed, the appraiser may be expected to attend one or more meetings with SHA project staff, including a "scope of work" meeting. These meetings will assure common understanding of the project and the schedule. The bid contract will also state the due date of appraisals.

Guidelines for Right-of-Way Appraisals will be available or copied for the appraiser, if needed.

Appraisal Standards

Appraisals prepared for SHA will primarily comply with requirements of 49 CFR 24.103. Although the USPAP are subordinate to the aforementioned Federal URA regulatory requirements, criteria of each are considered to be consistent. The FHWA's "Appraisal Guide" describes various appraisal formats including the detailed appraisal format. The appraiser will advise SHA in advance if an assignment requires departure from USPAP standards, or if there is a problem or conflict in application of the standards. This should be accomplished during the appraisal "scope of work" process. In any event, there must be full compliance with 49 CFR 24.103 of the URA regulations using the USPAP jurisdictional exception procedure, if necessary, to remain compliant with those standards.

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SHA has an appraisal form available or the appraisers may use their own forms. The presentation and organization of data in the appraisal report can be addressed in the appraisal "scope of work" or may be deferred to the judgment of the appraiser. However, SHA may request additional information or exhibits if all the necessary data is not present.

Following are criteria that apply specifically to appraisals prepared for SHA and will be included in the appraisal "scope of work":

1. Report. Two signed and dated report copies will be submitted. The appraiser who has contracted with SHA must sign the report.
2. Photographs. Color prints will be utilized and included in the report. Photos of the subject property and all comparable sales are to be included. The photos of the subject property will indicate the acquisition area, improvements acquired and perspective from the existing highway or centerline of a new alignment and direction of each view.

Interior photos will also be included if the improvements are being acquired. The pictures should be representative of the condition of the property. If there are noted deferred maintenance or damage issues, photos should be included of the problem areas to document the damage.

Photos will include any onsite improvements that are impacted or to be acquired.

If the photos taken are digital photos, they must be unaltered and unedited.

3. Qualification Statement. The appraiser's current qualifications statement should be included with the appraisal.
4. License. The appraiser's appraisal license number should be included with each appraisal.
5. Inspection of Sales. SHA requires that the appraiser state whether the sales used to determine value were personally viewed. If viewed, the appraiser should indicate whether or not they were inspected internally or externally only.
6. Confirmation of Sales. The appraiser will state the manner by which sales information was confirmed. Confirmation by direct contact with buyer or seller is recommended but cannot always be performed. The appraiser will verify information with a knowledgeable party such as a real estate broker or attorney involved in the transaction. Market data on file with SHA will be provided to appraisers on request, with no assurance as to its accuracy. Appraisers are responsible for independently verifying information provided by persons who are not parties to the transaction.
7. Sales Map. The appraiser will provide a map indicating the location of

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comparable sales, preferably on a map with the subject property.

8. Measure of Damage-Partial Acquisition. The measure of compensation resulting from a partial acquisition of property is the difference between the Fair Market Value immediately before the acquisition and the Fair Market Value of the remaining property after the acquisition. All elements that would diminish or enhance the Fair Market Value before and after will be considered, even though some damages sustained by the remainder, considered individually and under Maryland law, may not be considered compensable.
9. General and Special Benefits. These must be addressed for all appraisals of partial acquisitions. By Maryland law, only special benefits can be used to offset damages.

APPRAISAL

REVIEW

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FUNCTION

The appraisal review function is an integral part of the valuation process. An estimate of Fair Market Value by the appraiser serves as the basis of SHA's approved appraisal and Offer of Just Compensation on complex acquisitions. The property appraisal must be reviewed and recommended by a staff Review Appraiser. The appraisal is approved, and the amount of just compensation is then determined by the Review Appraiser before the initiation of negotiations to acquire property or the acquisition by Eminent Domain. If consultant Review Appraisers are utilized, they can only recommend an appraisal for approval but will not be able to approve the appraisal or determine just compensation since this function requires a Review Appraiser at SHA.

Beyond the determination of just compensation, the assigned Review Appraiser performs the primary quality assurance role. The Review Appraiser conveys and interprets appraisal policy and participates in the development of the appraisal scope of work. The Review Appraiser will ensure consistency in unit values applied to land of equal utility throughout valuations on a project. The assigned person will also advise on the designation of uneconomic remnants and advise appraisers and Right-of-Way staff on elements of damage or value that are not compensable under Maryland law.

The Review Appraiser must remain independent and be free of undue influence or conflicts so that Fair Market Values are consistent with Maryland law and based on objective and informed professional judgment.

The Review Appraiser performs an oversight as well as an operational role in the valuation process. These roles require expert knowledge and communications skill. The Review Appraiser is normally a staff employee with previous appraisal experience.

A person assigned to this position will be fully trained and experienced to perform the same type and level of appraisal on which reviews are performed. The Review Appraiser is not required but is encouraged to be licensed Certified General by the Maryland Department of Labor, Licensing and Regulation. The Review Appraiser must also be familiar with professional appraisal standards (USPAP), SHA policy, Federal regulations concerning appraisals, Maryland law and court decisions concerning compensability.

SHA may retain the services of consultant review appraisers in the future to meet anticipated heavy workload demands or to provide specialized expertise. The contract may pertain to a project, an area or a period of time. The Consultant Reviewer will have the same responsibilities and authority as corresponding Staff Reviewers except they can only *recommend* the acceptance of an appraisal and prepare the appraisal review report. They will not be authorized to approve the appraisal and/or determine the amount of just

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compensation to be offered to the property owner. Only an authorized SHA Review Appraiser can only do this.

Assignment of Project Review Appraiser

Review Appraisers are assigned to projects from SHA's appraisal review staff. Typically, the Review Appraiser assigned to the area of the project will be responsible for all reviews. However, when there is a heavy workload in another area that requires additional reviewers, the Review Appraiser may be assigned on a temporary basis to other projects.

Review Appraiser Responsibilities

Review Appraisers have technical and administrative responsibilities concerning property valuation. The primary function is establishing that the appraisal represents supported Fair Market Value on properties to be acquired. The Review Appraiser is thus the determiner of "just compensation" except in Eminent Domain cases where that role is performed by the Circuit Court.

On appraisals or other valuation documents, the Review Appraiser may be assigned responsibility for the following actions and determinations:

1. Examine analysis and presentation of data to ensure that all appraisals submitted to SHA contain the necessary documentation and are factually accurate.
2. Ensure that all appraisal requirements are met as set out in Federal regulations (49 CFR 24.103-104) and that the work product meets the definition of an appraisal in Federal regulations 49 CFR 24.2.
3. Ensure that the appraiser's value conclusion contains only value and damages that are compensable under Eminent Domain in Maryland.
4. Maintain adequate parcel and project records of the status of appraisals and enters information into the computerized management system.
5. Secure corrections or addendums from appraisers to resolve omissions or errors noted in review.
6. Resolve divergent or conflicting appraisal conclusions when more than one appraisal is involved. The Review Appraiser should not attempt to substitute their own judgment for that of the appraiser unless they are willing and able to develop their own opinion of value and become the appraiser of record. Appraisal reviewers must recognize that technical deficiencies can be found in nearly every appraisal report. However, minor technical nonconformance with SHA's or Federal requirements or USPAP standards

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should not be the cause of disapproval of an appraisal report unless the deficiency affects the reliability of the value estimate, or the value estimate itself. Minor technical nonconformance with these requirements or standards should never be used as an excuse to reject a report when the underlying reason for rejections is the reviewer's differing opinion of the Fair Market Value of the property appraised.

7. Approves or disapproves the appraisal as to Fair Market Value of the part acquired and damages to the remainder.
8. Approves or disapproves the salvage value for improvements or structures that will be retained, sold back to the former owner or sold for removal.
9. Approves or disapproves the contributory value for any tenant owned improvements.
10. Approves or disapproves the cost to cure of minor elements of physical damage.
11. Approves or disapproves Specialty Appraisals to determine the contributory value of the specialty items to the value of the whole property.
12. Reviews appraisal reports secured and submitted by property owners and appraisals secured by SHA/Legal for court purposes.
13. Recommend action on proposed settlements above the established estimate of value as requested.
14. Advise on appropriate valuation format (Appraisal Waiver, Staff Appraisal, Fee Appraisal) to use in valuing property.
15. Evaluate appraisal quality on a project or program basis.
16. Assists Right-of-Way staff in producing Right-of-Way cost estimates and project appraisal fee estimates.
17. Reviews appraisals for disposal of surplus MDOT properties.
18. Reviews appraisals for other modals within MDOT.
19. In addition to the above, the Review Appraiser has administrative responsibilities that include maintaining well organized project valuation files, assisting the Real Property Manager in monitoring appraisal assignment due dates and coordinating with Team Leaders and project managers to assure timely delivery of the Offer of Just Compensation.

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Agency Review Appraisers typically perform a role greater than technical appraisal review. They are often involved in early project development. Later they may recommend appraisers to bid on a project and recommend project properties suitable for staff appraisals or waivers. They also serve as mentors and technical advisors to appraisers and staff, especially on agency policy and requirements. Additionally, reviewers are frequently technical advisors to other agency officials.

Inspection of Property

The Review Appraiser must be personally familiar with the project area, either from previous assignments or by inspections conducted specifically for the appraisals under review.

The Review Appraiser should make an onsite review of the project, the subject property being appraised, and the comparable sales as needed. The inspection should be performed as close as feasible to the time the property is appraised. Earlier inspection (e.g. just prior to appraisal assignment) will suffice if there are no indications of significant physical change in the property or the market influences in the area of the project.

On non-complex projects in remote locations, appraisal reviews may be accomplished without a property inspection if the Review Appraiser is familiar with the area from previous projects. The Reviewer will rely on previous knowledge, the information contained in each appraisal and other reliable sources.

If a field inspection is not made the reviewer should communicate this within the scope and certification of the review.

Desk Review of Appraisal

The Review Appraiser will make a documentation and accuracy check of the appraisal. This will be performed as soon as possible after receipt of the appraisal and before making a determination of value. The purpose of the desk review is to ensure that the appraisal contains all required elements under SHA requirements and USPAP standards and that factual information and mathematical calculations are correct. The Reviewer will promptly inform the appraiser of any errors or omissions revealed by the desk review and request corrected pages.

Required Actions by the Review Appraiser-Appraisal Review Report

The Review Appraiser has three options in reporting the review:

1. Approve it and Select it as the approved appraisal of the Fair Market Value used for determining just compensation.
2. Approve the appraisal as complying with all requirements. This option should be used when there are multiple appraisals on a property and more than one meets all requirements. If there are multiple appraisals, the Review Appraiser can accept them

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all but selects one for basis of Just Compensation.

3. The Review Appraiser finds the appraisal "not acceptable" only after being unsuccessful in working with the appraiser to obtain an acceptable appraisal.

Coding of Action Taken

All appraisal review reports are coded by the Review Appraiser. The codes are described below:

“S” Appraisal review reports with this designation are recommended for use in negotiation and/or condemnation and in the opinion of the Review Appraiser, are in compliance with requirements set forth in these guidelines. A copy of this appraisal is returned to the District ROW office or the PAM office for use in negotiation. The original is filed in the HQ file in Baltimore.

“A” Appraisal review reports with this designation are, in the opinion of the Review Appraiser, in compliance with the requirements set forth in these guidelines and lends support to the selected (S) appraisal. This appraisal is retained in the HQ file in Baltimore. The District ROW office may request a copy of the appraisals to assist them in settling a case administratively or for condemnation purposes.

“R” Appraisal review reports with this designation, in the opinion of the Review Appraiser, are not in compliance with the requirements set forth in these guidelines. The fee for rejected appraisals will not be eligible for federal participation and will not be used for negotiation. A written report should detail the areas of concern/noncompliance.

The rejected appraisal report is retained in ARD files. Any conference with the appraiser should be documented and be forwarded to the RPM of ARD.

SHA authorizes the staff Review Appraiser to review appraisals, produce a written report of the review, and approve the appraisal for use as the basis of the Offer of Just Compensation. As indicated previously, the staff Review Appraiser has the authority to develop and report the amount believed to be just compensation. Simply stated, the Review Appraiser formally categorizes the assessment of each report in the written appraisal review report and recommends and selects one report.

Approval of the appraisal is a meaningful term because the URA refers to the "approved appraisal" as being necessary for supporting the determination of the amount believed to be just compensation.

There is, however, no direct requirement that a reviewed and accepted SHA appraisal automatically be the approved appraisal, even if it is recommended for approval. An example would be when the property owner's appraisal is determined after an SHA review to be approved.

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The Review Appraiser has a critical and powerful role in the acquisition process. It can be characterized as a two-way street: representing SHA's needs and interests to the appraisal process and representing (and sometimes defending) legitimate appraisal practice to the agency.

If the initial appraisal submitted for review is not acceptable, the Review Appraiser is expected to communicate and work with the appraiser to the greatest extent possible to facilitate the appraiser's development of an acceptable appraisal. In doing this, the Review Appraiser is to remain in an advisory role, not directing the appraisal and retaining objectivity and options for the appraisal review itself.

If the Review Appraiser is unable to obtain an acceptable appraisal from the appraiser, SHA's requirements allow the Review Appraiser to develop an independent approved or recommended value. In doing so, the Review Appraiser may reference any acceptable resource, including acceptable parts of any appraisal. The reviewer may also present and/or analyze market data. In doing so, the Review Appraiser must comply with 24.103 of the URA appraisal requirements.

When a Review Appraiser develops an independent value, that value becomes the approved appraisal of the Fair Market Value for Uniform Act purposes. It is within SHA's discretion to decide whether a second review is needed if the first Review Appraiser establishes an independent value.

Determination Appraisals

Review Appraisers rarely develop an independent value and become the appraiser of record. However, they frequently must make corrections to the offer of just compensation due to Right-of-Way plat changes or project changes in order to expedite the work for the project.

In these instances, the Review Appraiser will summarize the history of valuation for the subject property and make the necessary changes in the areas of acquisition and calculations, based on the previously approved unit value. The formerly approved appraisal is listed on the first page/cover sheet of the review as "A" for approved and then list the Review Appraiser as "S" for selected. Another Review Appraiser must sign the determination appraisal after completion and reviewing the information contained within.

A Determination Appraisal is prepared by the Review Appraiser in any of the following circumstances:

1. The Review Appraiser rejects the appraisal(s).

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2. There is inadequate time to request an updated appraisal and to complete the review.
3. To be consistent in establishing the FMV on similar adjoining properties.
4. When the reviewer accounts for minor plat changes. The determination appraisal should be supported by reference to other appraisals on the project, factual items in the appraisals(s) submitted on the specific property, or other value items or evidence known by the Review Appraiser.

Determination of Just Compensation

Determination of just compensation is the primary mission of the Review Appraiser. Just compensation is established only after checking the appraisal(s) for factual accuracy and evaluating the appraiser's analysis and value conclusion as discussed previously. The just compensation amount will be based on the total body of information available to the Review Appraiser and not exclusively on the appraisal report. If the Review Appraiser is led to a value conclusion that significantly differs from the appraisal value, an independent determination can be performed.

Once the appraisal has been reviewed and approved, the Review Appraiser will record the determined just compensation amount on the appraisal review. The reviewer will sign and date the determination of just compensation under the Reviewer's Certification statement.

Specialty Appraisal Reports

A specialty appraisal report is a valuation of some aspect of the property that is unique (e.g. machinery, equipment, mineral rights, and forestation). Specialty items are not expected to be within the expertise of the appraiser assigned to value the property. When specialty property is included in the acquisition, SHA will employ a specialist to value the item. The SHA Real Property Manager will review it for meeting contract requirements before delivering the report to the Review Appraiser. The report will be provided to the real estate appraiser who will consider it in determining the contributory value of the specialty property to the value of the whole. The amount in the specialty report will not be added to the real property value without consideration of the contributory value. The appraiser will attach the specialty report to the property appraisal report for submission to SHA.

Corrections or Revisions

The Review Appraiser will notify the appraiser of any needed appraisal corrections, modifications or revisions and set a reasonable due date for completion. Minor changes

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or clarifications that do not affect the value may be made in ink on the Appraisal Report and then initialed and dated by the Review Appraiser or documented in the review.

Corrected sheets submitted by the appraiser will be substituted in the appraisal, with incorrect pages stamped as VOID-see revision and attached at the back of the appraisal.

Multiple Appraisals

SHA may secure two or more appraisals to establish value on a property.

This is done when the acquisition is highly complex, or a high value is expected or if there is an issue as to the highest and best use of the property. When multiple appraisals are secured, both appraisers should be given the same scope of work information on the assignment. The Review Appraiser may hold a pre-appraisal meeting with appraisers to assure a common understanding of the scope of work, the appraisal problem, and to identify differences in perspective that will require resolution in reviewing the completed appraisals.

Resolving Divergent Opinions of Value

One of the Review Appraiser's most important responsibilities is to resolve or reconcile divergent value conclusions among appraisals of the same property. The analysis and judgment of the reviewer is a key element in reaching a sound supported estimate of Fair Market Value that will be the basis for an amicable settlement with the owner.

Widely divergent value conclusions may arise from differences among the appraisers on one or more of the following appraisal elements:

- Highest and best use of the property;
- Utility or economic use of the remaining property;
- Adjustments to comparable sales;
- Personal vs. real property decisions;
- Selection of comparable sales;
- Selection of capitalization rate (income approach); and
- Judgments as to age of the improvements, potential of zoning change, lease encumbrances, etc.

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The Review Appraiser should clearly identify the basis for the difference in appraisal values and explain, reconcile or resolve the divergent views. One or all appraisers should be contacted to discuss divergent elements. The Review Appraiser should not challenge the appraiser's judgment. The objective is to explore and fully understand the appraiser's reasoning, and/or to determine whether the appraiser has considered specific elements that the Review Appraiser considers relevant to value. The Reviewer should make notes of information provided by the appraiser during the contact or ask the appraiser to submit supplemental supporting information or analysis that will better explain the appraisal value conclusion.

If the value differential among appraisals is due to factual error, omission, faulty analysis or reasoning, the Review Appraiser will request the appraiser to submit correction or reanalysis, as appropriate. Faulty reasoning means defect in logic or failure to provide complete reasoning, not merely a difference in judgment between the appraiser and the reviewer.

Differences in appraiser judgment as to highest and best use may occur in locations that are undergoing transition in land use due to population growth or economic activity. The Review Appraiser is the final authority in determining highest and best use after fully understanding the basis for contrasting appraisal judgments. In making the decision, the reviewer should consider the current or currently zoned use as being the most likely highest and best use unless there is a specific compelling reason for a different use (e.g., the probability of rezoning the parcel).

After examining the appraisals and conferring with appraisers, as appropriate, the Review Appraiser may decide that differing value conclusions are not reconcilable, but they are both approvable and reflect a reasonable range of expert judgment. It is the Reviewer's responsibility to determine which appraisal, or amount within the range, best represents just compensation for the acquisition. The Review Appraiser may determine Fair Market Value within the range of the appraisals based on experience and explained judgment. The Fair Market Value may reflect factors such as consistency with unit values established for other properties acquired or knowledge of recent settlements that may have established a pattern in unit value for the type of land acquired. The Review Appraiser will explain the basis for the Fair Market Value conclusion in the appraisal reviews report stating the differences between the appraisals, efforts to resolve differences and the reasoning for establishing Fair Market Value at the amount concluded.

The Review Appraiser may recommend that SHA obtain an additional appraisal to resolve the divergence between two or more appraisals. This is done only if there is a reasonable expectation that the new appraisal will support the opinion of value of one appraisal over the others. Usually, the Review Appraiser is in the best position to exercise independent

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judgment, so another appraisal is rarely justified. Also, there is the possibility that the new appraisal will differ significantly from the previous ones and result in greater divergence.

Review Appraiser's Independent Determination of Value

The Review Appraiser will determine and support an independent conclusion of value if it is not in agreement with the appraiser's opinion of value. Before making an independent determination, the Reviewer will confer with the appraiser in an effort to better understand reasoning and reconcile views. In doing this, the Reviewer will respect the appraiser's professional responsibility to independent judgment and not apply undue influence to change a value decision.

A Review Appraiser's determination of value will be based on an evaluation of value information provided by others and further supported by market information and analysis performed independently by the Review Appraiser. A Reviewer's independent determination will be supported to the same extent as would be required in the original appraisal, according to USPAP.

The Review Appraiser will recommend the independent determination on the review report stating the basis and documentation for the determination.

Review Appraiser's Certification

The Review Appraiser will sign and date a certification statement for each parcel that states the following:

1. I did/did not (indicate) make a personal inspection of the property that is the subject of the report under review.
2. I have no present or prospective interest in the property that is the subject of this review report and I have no personal interest or bias with respect to the parties involved.
3. To the best of my knowledge and belief, the statements of fact contained in this review are true and correct.
4. The reported analyses, opinions and conclusion are limited only by....
5. The reported assumptions and limiting conditions stated in this review report and are my personal, unbiased, professional analyses, opinions and conclusions.

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6. The person signing this review report received no significant professional appraisal review assistance.
7. My compensation is not contingent upon any action or event resulting from the analyses, opinions or conclusions in, or the use of this review report. My engagement in the assignment was not contingent upon developing or reporting predetermined results.
8. My analyses, opinions and conclusions were developed, and the review report has been prepared, in conformity with the USPAP.

APPRAISAL DIVISION

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APPRAISAL DIVISION

Purpose: The Appraisal Division was created to provide in-house access to appraisals for partial acquisitions, total acquisitions, assemblages, property dispositions, rental values, and 5-C's. All 5-C's for projects valued by outside appraisers are to be completed by Right-of-Way specialists or the assigned appraiser.

The appraisals are written in a narrative format and according to USPAP guidelines (Uniform Standards of Professional Appraisal Practice) and will follow the narrative guidelines included in the following chapter (Appraisal Process).

The Appraisal Division covers most of Maryland with concentration in the Baltimore and Washington, D.C. metropolitan regions. The division also covers the Eastern Shore across the Bay Bridge and Washington County to the west.

Type of Properties Appraised: The Division focuses mostly on residential properties that are being affected by the Maryland State Highway Administration (SHA); however, agricultural, conservation, HOA land, and commercial parcels are also valued. Because of the nature of Right-of-Way appraising, the Division values mostly vacant land. Typically, the vacant land is valued before the acquisition ("before value") and then valued minus the cost of the acquisition areas, on-sites, and damages ("after value"). Appraisals for assemblages, dispositions, and rental values are also performed.

Scope of ORE Appraisal Division

The primary role of valuation in SHA is to establish the Fair Market Value of property that will be acquired for transportation projects. SHA's property valuation function has the following significant additional value related roles and responsibilities:

- Perform appraisal reports for SHA and other MDOT modals.
- Assist in general project Right-of-Way cost estimates;
- Advise on proposed administrative settlements;
- Determine incremental value of access control modifications or new points of access to property;
- Advise staff on Federal and State valuation requirements or criteria;
- Perform valuations of uneconomic remnants;

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- Advise on fair rents for SHA owned property under property management;
- Respond to public and official inquiries about the valuation process;
- Revise valuations arising from plan changes (determination appraisals based on approved appraisals);
- Assist in determining market rents or other value allocations for certain relocation benefits;
- Perform appraisals for disposal of surplus property.

DIVISION WIDE

The appraiser must remain independent and be free of undue influence or conflicts so that Fair Market Values are consistent with Maryland law and based on objective and informed professional judgment. The appraiser performs an oversight as well as an operational role in the valuation process. These roles require expert knowledge and communications skill.

A person assigned to these positions will be fully trained and experienced to perform the same type and level of appraisal on which fee appraisals are performed. The appraiser is not required but is encouraged to be licensed Certified Residential by the Maryland Department of Labor, Licensing and Regulation. The appraiser must also be familiar with professional appraisal standards, SHA policy, Federal regulations concerning appraisals, Maryland law and court decisions concerning compensability.

Members of the Division are expected to attend continuing education classes, maintain the appraisal database, and contribute as reviewers of each other's work.

Our value conclusions are based upon review and analysis of market conditions affecting real property including the sales, listings, rentals, income and operating expenses, and attributes of the subject, as well as the comparable properties. This information is verified by public records, real estate professionals, property owners and managers, commercial and residential databases, in-house files of appraisals of similar properties, other appraisers, and personal inspections.

The Appraisal Division is subject to the same confidential-disclosure requirements and scope of work requirements as the fee appraisers contracted by SHA.

APPRAISAL PROCESS

All appraisals/appraisal reports prepared for MDOT, under these appraisal

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specifications, must be fully compliant with the Uniform Standards of Professional Appraisal Practice (USPAP), meet all appraisal requirements as set out in Federal regulations (49 CFR 24.103-104) and that the work product meets the definition of an appraisal in Federal regulations 49 CFR 24.2., and Maryland eminent domain laws and regulations (unless otherwise specified). Each appraisal report must be, at a minimum an Appraisal Report, as defined by USPAP.

The property owner or their representative must be given the opportunity to accompany the appraiser during the inspection of the property. It is the responsibility of the appraiser to notify the property owner or their representative of the inspection. Furthermore, the appraiser shall explain in the appraisal report if an inspection was made without the owner or their representative being present.

An appraisal submitted in narrative form must clearly describe the property that is the subject of the report and identify the estate being appraised. The report must contain all the facts and assumptions upon which the value estimate is based. Additionally, the report must contain a reasonably complete summary of the work done in arriving at each analysis, conclusion or opinion concerning the property and must refer to each of the recognized appraisal methods or techniques that materially contribute or may contribute to a proper valuation of the property or to the solution of the appraisal problem under consideration. The reasoning that supports each analysis, opinion or conclusion must be set forth in the report.

(A) General Requirements

In preparing a narrative report for the Maryland State Highway Administration, the appraiser is to prepare his report along the following format:

- (1) The before and after method of valuation shall be used for partial acquisitions.
- (2) The appraisal shall include all approaches to value. If an approach is considered not applicable, the appraiser is to so state, giving his reasons.
- (3) The appraisal of the after shall be supported to the same extent as the appraisal of the before value.
- (4) The appraisal shall contain a recapitulation for the taking and damages which analyzes and tabulates the difference between the before and after value of the property showing the allocation to land, and improvements.
- (5) All property appraised and the comparable sales which were relied upon in arriving at the Fair Market Value estimate shall be personally inspected in the field by the appraiser and so indicated in the report.
- (6) Appraised as if free and clear of contamination (or as specified)
- (7) The appraisal report should include photographs of the subject property and comparable sales and provide location maps of the subject and comparable sales.

An appraisal report must follow these nine steps of the appraisal process

Step 1 - DEFINE THE APPRAISAL PROBLEM

Identify the Client and Intended Users; Intended Use; Type of Value; Effective Date; Relevant Characteristics of the Property; Appraiser Certification, Assignment Conditions.

The Intended Use is usually for possible full or partial acquisition, or the disposition of SHA owned land to serve as a basis for negotiations.

Intended User is SHA Office of Real Estate or other MDOT modals.

The definition of Fair Market Value to be used with a partial or full acquisition appraisal (disposition appraisal use the definition of Fair Market Value as provided by the Appraisal Institute's most recent Edition):

FAIR MARKET VALUE DEFINED
(Section 12-105, Annotated Code of Maryland)

The Fair Market Value of property in a condemnation proceeding is the price as of the valuation date for the highest and best use of the property which a vendor, willing but not obligated to sell, would accept for the property, and a purchaser, willing but not obligated to buy, would pay, excluding any increment in value proximately caused by the public project for which the property condemned is needed.

In addition, Fair Market Value includes any amount by which the price reflects a diminution in value occurring between the effective date of legislative authority for the acquisition of the property and the date of actual taking if the trier of facts finds that the diminution in value was proximately caused by the public project for which the property condemned is needed, or by announcements or acts of the plaintiff or its officials concerning the public project, and was beyond the reasonable control of the property owner.

"It is the Fair Market as defined by the Annotated Code of Maryland that should be included in a partial or full appraisal in place of the USPAP or any other definition of Fair Market Value".

Value date can be the date of inspection or either a prospective or retrospective date.

Assumptions and Limiting Conditions: Each assumption or condition must be reasonable and supportable in the context of the appraisal and must not conflict with the appraiser's other responsibilities such as the identification of extraordinary assumptions or hypothetical conditions.

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Jurisdictional Exception: An assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.

Hypothetical Conditions: A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Extraordinary Assumption: An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of the data used in an analysis.

Certification: The required signed certification includes the following:

CERTIFICATE OF APPRAISER

The undersigned hereby certifies that, except as otherwise noted in this appraisal report:

That I have personally inspected the property herein appraised and have afforded the property owner(s) the opportunity to accompany me at the time of inspection.

That to the best of my knowledge and belief, the statements of fact contained in this appraisal are true and correct and the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.

That I understand that the appraisal is to be used in connection with the acquisition of right-of-way by the State of Maryland with the possible assistance of Federal-aid highway funds or with other Federal funds or with State funds exclusively.

That to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice and the Standards of Professional Appraisal Practice of the Appraisal Institute.

That neither my employment nor my compensation for completing this assignment are in any way contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment

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of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal

That I have no direct or indirect present or prospective interest in this property and I have no personal interest or bias with respect to property or the parties involved.

I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this appraisal report within the three-years immediately preceding acceptance of this assignment.

This report has been prepared in compliance with the applicable provisions of the following:

- Uniform Relocation Assistance and Real Property Acquisitions Policy Act of 1970, as Amended
- Code of Federal Regulations (49CFR, Part 24)
- Maryland Annotated Code (Article – Real Property)
- The appraisal policies and procedures of the Maryland State Highway Administration, Office of Real Estate
- Uniform Standards of Professional Appraisal Practice (USPAP)
- The appraisal policies and procedures of the Federal Transit Administration (FTA)

Step 2 - DETERMINE THE SCOPE OF WORK

Determine what data, research, type of inspection, appraisal methodology, and sources of information are required to prepare a credible appraisal report.

The Scope of Work should include:

- The extent to which the property was identified
- The extent to which the property was inspected
- The type and extent of data researched
- The type and extent of analysis applied

(1) DATA COLLECTION AND SUBJECT PROPERTY ANALYSIS

Subject Property: (A) Legal Description

- Right-of-way Project Number
- Right-of-way Item Number
- Federal Aid Project Number (if applicable)
- Owner's Name
- Right-of-way number(s) and Revision Date(s)
- Determination of the Larger Parcel

(B) Photographs – Identified

(C) Minimum of 5-Year Sales History or Recorded Transfer

(D) Property Description – Site

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- Location
- Tax map, grid, parcel(s) references
- Zoning
- Assessment
- Size
- Shape
- Access
- Topography
- Physical Appearance
- Dimensions
- Available Utilities
- Flood Plain
- Wetlands and Stream Buffers
- Soil Types
- Drainage
- Present Use
- Subsurface Rights
- Air Rights
- Easements, Encroachments, and Restrictions
- Observed Hazardous Materials

Buildings

- Present Use
- Building Type
- Chronological and Effective Age
- Size
- Number of Rooms
- Condition
- Quality of Construction
- Observed Deferred Maintenance
- Sketch
- Fixtures and Equipment

Market: The data collection should relate the four forces affecting value (economic, social, physical, and governmental) to the subject property and its market area such as:

1. Location
2. Demographics
3. Linkage
4. Trends

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Appraisal Methods: It is the responsibility of the appraiser to determine which, if not all three of the approaches to value are applicable to develop a credible and defensible opinion of value.

1. Sales Approach
2. Cost Approach
3. Income Approach

Step 3 -HIGHEST AND BEST USE ANALYSIS

Apply the four tests of highest and best use of the property as vacant and as improved.

1. Legally Permissible
2. Physically Possible
3. Financially Feasible
4. Maximally Productive

Step 4- LAND VALUE OPINION

The Sales Comparison Approach is the primary approach used when valuing vacant land and may be particularly useful in appraising the before value of improved property. The Sales Comparison Approach may also be used as a check on the Cost Approach. The appraiser will show an allocation of land and improvements upon reconciling the final value conclusion indicated by the Sales Comparison Approach.

Step 5 - PROPERTY VALUE

Sales Approach

The appraiser must research and provide as much information about each of the comparables as they did regarding the subject property. The comparables must be appropriate for a direct comparison to the subject property.

Elements of comparison should include: Property rights

- Financing terms
- Conditions of sale
- Expenditures made immediately after sale
- Market Conditions
- Location
- Physical characteristics
- Economic characteristics
- Use/Zoning
- Non-realty components of value

Also included should be photographs of the comparables, as well as a sales location map depicting the location of the subject property and each of the comparables.

To the extent reasonably possible, all comparable sales included in the report are to be verified by the appraiser with one or more parties involved in the transaction – the buyer or seller; listing/selling agent or broker. The report must include the phone number of the

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person with whom the appraiser verified the sale information. If, after all reasonable attempts have been made, the appraiser is unsuccessful in his/her efforts to verify the data for any comparable sale with either the buyer, seller, or agent, a prominent statement so stating must be included in the report text describing that sale.

Cost Approach

If the Cost Approach is applicable, the appraiser needs to source where the cost data originated, explain all depreciation, and show all of the pertinent calculations in the appraisal report.

Income Capitalization

If the Income Approach is applicable, the appraiser must state the income, show the expenses, substantiate the interest and capitalization rates, explain the properties economic life, and support the difference between the economic rent and the contract rent.

Step 6 - RECONCILIATION AND FINAL OPINION OF THE “BEFORE” VALUE

Reconcile the value indications into one opinion of value.

Step 7 - DESCRIPTION OF THE ACQUISITION

The appraiser shall describe the property to be acquired under four subheadings:

Fee Simple Acquisition: physical description of area acquired.

Easements: physical description of Temporary Easements, Perpetual Easements, and Revertible Easements.

On-Sites; description of all improvements within the acquisition areas to be acquired by the project.

Damages: description of the loss in utility caused by the project.

Step 8 - DESCRIPTION OF THE REMAINDER AND EFFECTS OF THE ACQUISITION

The appraiser shall describe in detail the remaining land and improvements assuming completion of the highway project, and the appraiser must state and support their opinion of the highest and best use of the remainder. If, in the opinion of the appraiser, the highest and best use of the property after the acquisition is the same as before the acquisition, a statement to that effect will suffice.

Step 9 - VALUATION OF THE SUBJECT PROPERTY AFTER THE ACQUISITION

The appraiser must estimate the after value of the remainder assuming completion of the highway project. When determining the after value, the appraiser must appraise the property as if the project is complete and all the easements have been acquired.

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Step 10 -RECONCILING AFTER VALUE INDICATIONS

As in the before value, when two or more approaches to value are used, the appraiser shall reconcile them into one final value.

Step 11 - DIFFERENCES BETWEEN BEFORE AND AFTER VALUES

When the appraiser's estimate of value of the property remaining immediately after the acquisition is less than the value of the entire property immediately before the acquisition, the differences represent that attributable to the acquisition.

NARRATIVE OR FORM REPORT

The above information is provided to MDOT by the appraiser in a narrative appraisal report.

ADDENDUM

Certification
Right-of-Way Plat
Tax Map
Flood Map

REQUIRED RESEARCH

The appraiser is required to research the SHA project, the subject property, and the comparables. Below are some suggestions for research sources.

Project

Project: Overall description of project
Project Name and Number
Construction plans
Landscape plans

Plats: Plat number
Property name
Item number
Property specific acquisition area/on sites

Subject:

Description (inspection)
Define Larger Parcel
SDAT (sales history and tax record)
MRIS (sales history and tax record)
MD Land Records (deed)
Plats.net (numbers on SDAT)
Google Earth (aerial/neighborhood)/Finder
FEMA/eGIS (flood plain - wetlands)

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Zoning (county websites)
Master Plan (county websites)

Market: Maryland economy
County economy
Neighborhood defined
Subject's submarket

Comparables:

Description (inspection)
SDAT (tax record and sales history)
MRIS (sales history and tax record)
MD Land Records (deed)
Plat.net (numbers on SDAT)
Google Earth (aerial/neighborhood)
FEMA/eGIS (flood plain – wetlands)
Zoning (county websites)
Master Plan (county websites)

Land Research and Inspection

(A) Research – IS THE LOT BUILDABLE OR SUBDIVIDABLE

- (1) Google Earth – locate property, overview of neighborhood, linkage.
- (2) SDAT: Legal description, deed reference, plat reference, assessed values, previous sales, improvements, map, shape.
- (3) MD Land Records: Deed – confirm last sale date (amount, buyers and sellers). Reference to easements, restrictions. Size.
- (4) FEMA – flood plain
- (5) Zoning – designation, purpose, types of properties, setbacks
- (6) Inspection
 - (1) Observe neighborhood – linkage, types of surrounding properties, nearby nuisance, distance to work, schools, etc., traffic volume.
 - (2) Subject property – access (public or private), adequate road frontage, topo (flat, sloping, steepness, unstable land), wetlands, wooded or open, cost to clear, toxins, junk.
- (7) Utilities – availability of public water, sewer, gas, telephone, cable; well and septic issues. Soil conditions.

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(8) Improvements – On sites and improvements

(9) Overview – Master Plan, fire protection, future development.

(10) Concerns with Land

- (1) Define Larger Parcel
- (2) Easements/restrictions referenced in the deed
- (3) Zoning limitations/Development potential
- (4) Access - Ingress/Egress
- (5) Visibility (commercial land)
- (6) Linkage – commuter routes, employment centers, recreation, schools, shopping.
- (7) Topo
- (8) Clearance/Wooded
- (9) Flood/Wetlands
- (10) Surrounding Land Use/Master Plan
- (11) Environmental factors
- (12) Traffic Count
- (13) Improvements – including off-site improvements.

COMPARABLE SELECTION

Developing an opinion of Fair Market Value by comparing properties similar to the subject property that have recently sold, are listed for sale, or are under contract. A major premise of the sales comparison approach is that an opinion of the Fair Market Value of a property can be supported by studying the market's reaction to comparable and competitive properties.

Typically, the sales comparison approach is most applicable for owner-occupied properties (properties not purchased primarily for their income-producing potential). Buyers of income-producing properties usually concentrate on a property's economic characteristics and put more emphasis on the conclusions of the income capitalization approach.

To the extent reasonably possible, all comparable sales included in the report are to be verified by the appraiser with one or more parties involved in the transaction – the buyer or seller; listing/selling agent or broker. The report must include the phone number of the person with whom the appraiser verified the sale information. If, after all reasonable attempts have been made, the appraiser is unsuccessful in his/her efforts to verify the data for any comparable sale with either the buyer, seller, or agent, a prominent statement so stating must be included in the report text describing that sale.

Research the Competitive Market: The goal is to find a set of comparable sales as similar as possible to the subject property to ensure they reflect the actions of similar buyers.

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Market analyses and highest and best use analyses set the stage for the selection of appropriate comparables sales.

Verify the Information: Verify the data, but also elicit additional information about the property and the market so that comparisons are credible.

Select the Most Relevant Units of Comparison: e.g. price per acre, price per lot, price per square foot, price per FAR, price per unit. The appraiser's goal is to define and identify a unit of comparison that explains market behavior.

Elements of Comparison: Then adjust the price of each sale property, reflecting how it differs, to equate it to the subject property or eliminate the property as a comparable. If a transaction does not reflect the actions of a buyer who would also be attracted to the subject property, the appraiser should be concerned about compatibility.

Reconcile: Reconcile the various value indications produced from the analyses of comparables to a value bracket and then to a single value indication.

Suggestions:

(1) Contact county or municipal planner to see what is happening in the subject's area or, just as important, what is expected to happen.

(2) Build a network of appraisers and real estate agents you can speak with about specific markets.

(3) Google the general location and observe the subject property and surrounding land use.

HIGHEST AND BEST USE Value is created by the expectation of benefits to be derived in the future.

An important aspect of the highest and best uses determination of the land as though vacant is the maximally productive use that results in the highest land value, not the highest improved property value. Improvements are temporary while the land is more or less perpetual.

In the analyses of highest and best use of land as though vacant, the appraiser seeks the answer to several questions:

- Should the land be developed, subdivided or left vacant?
- If left vacant, when would future development be financially feasible?
- If developed, what type of development should be built?

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In the analyses of highest and best use of the property as improved, additional questions must be answered:

- Should the existing improvements on the property be maintained in their current state, should they be altered in some manner to make them more valuable, or should they be demolished to create a vacant site for a different use.
- If renovation or redevelopment is warranted, when would the new improvements be built?

In general, if the value of the property as improved is greater than the value of the land as though vacant, the highest and best use is the use of the property as improved.

However, a property's existing use may represent an **interim use** and adds the contributory value of the current improvements until the new highest and best use can be achieved.

FOUR TESTS

In the analyses of pertinent data, four steps are implicit and are applied in the following order to develop adequate support for the appraiser's highest and best use opinion:

1. Legally permissible
2. Physically possible
3. Financially feasible
4. Maximally productive

APPLICATION OF HIGHEST AND BEST USE ANALYSES

HIGHEST AND BEST USE OF LAND AS THOUGH VACANT:

Legal Permissibility – public and private restrictions. Deed restrictions, zoning, overlay districts, building codes, environmental regulations, development controls by the jurisdiction. Appraiser must consider if any of these restrictions will change.

Physical Possibility – This test addresses the physical characteristics associated with the site that might affect its highest and best use. Size, shape, terrain, risk of natural disasters, frontage, depth, visibility, ease of access, view, privacy, public utilities, subsoil conditions, etc.

Financial Feasibility - As long as a potential use has value commensurate with its cost and conforms to the first two tests – legally permissible and physically possible – the use is financially feasible.

Maximally Productive – the most profitable use of the land.

The ultimate value of a parcel of vacant land depends on determining the highest and best use. The final estimate of highest and best use should be defensible, the logic

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internally consistent, and the conclusions well supported and documented by facts as well as opinions. If a variety of uses could be supported, the uses that would provide the highest price will be the highest and best use.

The valuation process consists of two parts: determining the highest and best use for the land and applying the appropriate valuation technique.

ADMINISTRATION

AND

SPECIAL TOPICS

(A) ADMINISTRATION AND SPECIAL TOPICS

General

Valuation encompasses a broad range of activities that involve several functions in the project development process. The relocation program sometimes requires estimates of economic rent or the contributory value of certain external attributes of an acquired property. Property management sometimes needs valuation of surplus property and uneconomic remnants. Cost estimates for Right-of-Way costs are submitted annually for proposed projects. These are some of the issues discussed in this section.

- Section I of the Civil Rights Act of 1866 (42 U.S.C. 1982, et seq.);
- Title VI of the Civil Rights Act of 1966 (42 U.S.C. 2000d et seq.);
- Title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601 et seq.), as amended;
- Executive Order 11063, Equal Opportunity and Housing, as amended by Executive Order 12259
- Executive Order 11246, Equal Employment Opportunity;
- Executive Order 11625, Minority Business Enterprise Executive Order 11988;
- Executive Order 12250, Leadership and Coordination of Non-discrimination Laws;
- Executive Order 12259, Leadership and Coordination of Fair Housing in Federal Programs; and
- Executive Order 12630, Governmental Actions and Interference with Constitutionally Protected Property Rights.

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Non-Compensable Items

The following value elements are not compensable as acquisition items under Maryland or Federal law. However, several items are addressed in the relocation program. The appraiser will not include any of the following items as elements of damage on appraisal reports submitted to SHA:

1. Removal cost of personal property (may be paid as relocation cost on full acquisitions);
2. Cost of replacement residential premises exceeding the value of the old premises (may be paid as a relocation cost on full acquisitions);
3. Business or income opportunity loss;
4. Business interruption;
5. Inferiority of new location;
6. Non-availability of acceptable replacement location;
7. Loss of goodwill;
8. Damages from loss of contracts;
9. Owner inconvenience;
10. Diminishment of loss of air or light exposure;
11. Decrease in value of business on premises;
12. Value to owner, as opposed to Fair Market Value;
13. Damages due to the exercise of police power, such as restriction of traffic due to detours during construction, or installation of traffic control devices as part of the highway project; and
14. Circuitry of travel (a business does not have a proprietary interest in the traffic passing its site).

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Personality-Realty Determinations and Report

The personality/realty report is another appraisal requirement in federal regulations at 49 CFR 24.103(a)(2)(i) that should be addressed in the context of the appraisal scope of work. The scope will develop parameters for the implementation of this requirement. The report must address creating an inventory of both personality and realty items.

It is critical to achieve a responsible allocation of what is realty and what is personality. The allocation will drive what is acquired versus what is relocated. If this is not sorted out correctly, confusion and duplicate payments can result from situations where items acquired and owned by SHA are relocated at an additional unnecessary expense. The determination of realty/personality items as part of the appraisal process ensures proper handling of such items. The result is fair compensation and/or reimbursement of relocation expenses to the owners of the respective items.

An on-site meeting of the appraiser and relocation staff is usually essential to accomplishing this process. The result is then included in the appraisal report. The appraisal report should include only the value of real property. The landowner or tenant retains ownership of personal property and is reimbursed under the relocation program for moving it from the acquisition site. The distinction between real and personal property may not be evident from observation. This arises most often on business property where there is installed shelving, machinery and business equipment and fixtures that were installed for a specific business use. The decision as to real versus personal property should be made before the appraisal is assigned, usually as part of the appraisal scope of work development; however, questions may arise during the appraiser's inspection of the property. Personality/Realty decisions will be referred to the Review Appraiser and/or Real Property Manager for decision if they arise after assignment of the appraisal.

The Review Appraiser will apply the following general criteria in distinguishing real from personal property:

- Apparent intention of the parties when the property was originally installed on the site as to whether it would be ultimately removed,
- Permanence of fixture of the property to the site, and
- The degree of potential damage to the site or the building that would result from the removal of the item.

The Review Appraiser and Real Property Manager will resolve the status of items by application of the above criteria and consultation with experienced relocation staff or legal counsel.

Determinations on status of property as either personality or realty will be promptly relayed to the appraiser and to the relocation agent. It is essential for the appraiser to receive this

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information in a timely manner so that he/she can appropriately prepare the Realty/Personality Report as required by the assignment.

Project Design Changes

Appraisals are assigned after plans have been developed that identify the properties, acquisition areas and the type of rights to be acquired. However, the highway design may be modified later in project development and the valuation must be adjusted to conform to the revised acquisition areas. The Review Appraiser will discuss design changes with the Right-of-Way project manager and the team leader or manager. If the acquisition type or area is changed, the appraiser will be provided with a revised plan sheet and Right-of-Way plat and will be a guide in this area for the balance of the acquisition process. Modify the appraisal accordingly. The revised plan, plan sheet and valuation will be provided to Right-of-Way staffs that are affected, including relocation staff.

Fee appraiser compensation may be increased to reflect additional work actually performed unless there is a provision in the appraisal bid contract.

If the changes in acquisition areas do not substantially change the impact to the property, the Review Appraiser can write a determination appraisal. Utilizing the unit value in the previously approved appraisal, the Reviewer can recalculate the just compensation based on the new acquisition areas, citing the revision date on the plat. The cover sheet for the appraisal report will show the previously approved appraisal as "A" approved and the Reviewer Appraiser' determination will be shown as the "S" selected appraisal. The body of the review will explain the reason for the determination appraisal, the changes to the acquisition areas and will detail the just compensation based on the previously approved appraisal. Within the body of the review will be the statement that the determination is being completed to expedite the Right-of-Way acquisition and that the appraiser will be asked to update their appraisal with the revised areas prior to presentation in court.

The determination appraisal by the Review Appraiser must be checked and approved by another Review Appraiser.

Project Cost Estimates

A preliminary or "shotgun" estimate of Right-of-Way costs is prepared during the concept stage of project development. The estimate is updated annually to reflect alternative alignments or design modifications. The Review Appraiser will assist the Right-of-Way staff in deciding on unit values for the various zoning. Recent appraisals or properties recently sold can be used to estimate these values. The Reviewer will offer assistance in deciding other costs that might be included in the estimate (parking loss, etc

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Valuation in Support of Relocation and Property Management

Valuation services are needed in support of some relocation and property management activities as follows:

- Value estimates, or appraisal of surplus property;
- Estimate of market rent to be charged in leasing of SHA property;
- Estimate of economic rent of an owner-occupied dwelling in support of a rental replacement housing payment determination for relocation; and
- "Carve outs" or allocations of the appraised value for major exterior attributes or excess land, etc. for the determination of the "base value" to be used in calculating relocation replacement housing payments. This also affects the search for replacement housing.

The needs for valuation services for other functions other than property acquisition will be coordinated through the Real Property Manager. Appraisal review will be performed as needed by Review Appraisers.

SPECIAL TOPICS

(e) Special Topics

Larger Parcel Determination

The term “larger parcel” means the entire property that should be appraised in the before and in the after situation. It is the responsibility of the appraiser to determine the larger parcel; a determination in every appraisal developed. The three criteria in determining the larger parcel are unity of title (ownership), unity of use (highest and best use), and contiguity. However, the fact that parcels are not contiguous does not necessarily mean they are not part of the same larger parcel. This issue should be discussed with a representative of ORE before beginning the appraisal process. The concepts of unity of use and unity of ownership have been the primary considerations in determining the larger parcel. These concepts generally mean that the parcels must have the same use and must be held under the same quality of ownership to be considered one property.

Highest and Best Use

The appraiser must determine the highest and best use of the parcel being appraised in the before condition and in the after condition. There are four tests that must be met by the property to determine the highest and best use. The use must be legally permissible, physically possible, financially feasible, and maximally profitable. The analysis must be done in consecutive order.

Sometime the property can be valued for its “interim use”, which is an existing but temporary use awaiting transition to highest and best use. Also, an appraiser must consider any reasonable probability of a change in zoning, which is likely to affect legal and/or physical parameters and possibly change the highest and best use.

Special Benefits

Special benefits will be set off against severance damages but not against the value of the property acquired. Special benefits occur when the property remaining after a partial acquisition is enhanced by reason of the public improvement in a way that is not shared by another property affected by the project. An example would be an acquisition from a single ownership for an interstate highway interchange. The proposed interchange is totally within one farm ownership. Three of four remainders are at interchange ramp quadrants and are converted from a highest and best use as farmland to motel or restaurant locations. The enhancement value would be set off against damages occurring to a fourth remainder. However, the property owner would be paid the full value of the land acquired for the interchange. Special benefits occur infrequently. The appraiser should ask for SHA guidance before recognizing special benefits in an appraisal report.

General Benefits

General benefits are those benefits that accrue to the community at large, to the area adjacent to the improvement, or to other property situated near the acquired property. These are not specific to individual properties, but to the whole area near the project and are not offset against any estimated damages to remaining property, where a partial acquisition has occurred.

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Property Contamination

Unless otherwise instructed by SHA, the appraiser should value property as free from any contamination or environmental hazards that would reduce value. However, the appraiser will advise SHA project staff of any observations that may indicate contamination, either on the part to be acquired or on remaining property. SHA will make specialized examinations to evaluate conditions and determine remediation cost. The issues affecting compensation will be addressed with the owner in the acquisition process.

Increase or Decrease in Value Due to Project Influence

Any decrease or increase in the Fair Market Value of real property before the date of valuation caused by the highway project for which the property is acquired or by the likelihood that the property would be acquired, will be disregarded in determining the compensation for the property. However, this does not apply to physical deterioration within the reasonable control of the owner. This requirement of the Federal Uniform Act is intended to prevent either a financial reward or a hardship from occurring to an owner as a result of the acquisition.

An appraiser who believes that the conditions for invoking this provision may be present on an appraisal assignment should discuss the matter with the project Review Appraiser before completing the appraisal. This will enable SHA to apply the requirement consistently and fairly to all similarly affected parcels on the project. If this condition is known prior to the appraisal assignment, it should be addressed in the appraisal scope of work.

Cost to Cure Items

Minor physical damage to property may be valued on a cost to cure basis. Items that may be considered for cost to cure include reconnected utilities, fencing, relocation or replacement of walkways, steps, handicap ramps, septic systems, driveways, etc.

The appraiser will state the basis for any cost to cure estimate and the source of information used. This may be consultation with a (named) contractor, published cost service, reference to the cost of recent similar work, advertised installed prices or application of unit costs confirmed locally. The appraiser's estimate will be what an owner would incur by hiring a qualified local contractor to perform the entire job, including any incidental expenses.

Opportunity for Owner to Accompany Appraiser

The appraiser will offer an opportunity for the owner or a representative to accompany the appraiser during an inspection of the property. This should be done by letter with a follow up phone contact. The appraiser will include a copy of the letter and note date of phone contact follow up at the back of the appraisal. If the property owner is present during the inspection, it will be noted in the file. The Federal Uniform Relocation Act requires this action.

If the owner cannot be contacted for any reason, or the owner is not responsive, the appraiser will send a certified letter to the owner's last known address. The appraiser will record all efforts to contact the owner and advise the SHA Review Appraiser that their efforts were unsuccessful.

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Uneconomic Remnants

An uneconomic remnant is a real property remainder after partial acquisition that is determined by SHA to have little or no value or utility to the owner. SHA will offer to acquire any uneconomic remnant along with the part of the property needed for the project. The property owner may retain ownership of an uneconomic remnant. However, if the property owner does not elect to retain ownership, SHA will acquire the uneconomic remnant in accordance with the reviewed and approved appraisal.

It is important to note that an uneconomic remnant may have utility and/or may have Fair Market Value. The test is whether a remainder has utility or value to the present owner. The before value remains the same whether or not the remainder is considered uneconomic. Potential uneconomic remnants should be identified as early as possible in project development. The identification of and determinations relevant to uneconomic remnants should also be appropriately addressed in the appraisal scope of work.

The Real Property Specialist who performs the general cost estimate should be alert to the presence of possible uneconomic remnants. Uneconomic remnants, however, may be identified at any phase of the project, including after negotiations for the acquisition are initiated. The Review Appraiser will determine, or confirm, that a remainder is an uneconomic remnant. The appraised value of the "remnant" will be recorded as part of the appraisal review. This will serve as an alert to the Real Property Specialist to offer the owner the option to sell the remainder/uneconomic remnant to SHA.

Tenant Owned Improvements

Buildings, structures or improvements to real property that are owned by tenants may not be included in the appraised value of the property acquired unless the terms of the lease or circumstances of the property issues dictate that they should be appraised as a unit. In most circumstances, tenant owned improvements will be listed individually on a separate report and appraised as to their contributory value to the property. A SHA Right-of-Way agent will separately estimate each item's salvage value, which is the same as the value for removal from the site. SHA will make a separate acquisition offer to the tenant owner of

The Appraiser's Certification

A Certification of Appraiser form must be signed and dated and attached to each delivered appraisal report. The Certification is the appraiser's testimony as to the factual basis of information, absence of conflicts of interest and undue influence, confidentiality of findings and results, and compliance with controlling laws and regulations. The appraiser is responsible for advising the SHA Review Appraiser of any element that cannot be certified with reasons.

Proximity

Proximity generally refers to the nearness of a property line to a building improvement. It needs to be determined if there is a loss in the Fair Market Value of the property beyond the loss of the land and land improvements located within the right-of-way. Code setback restrictions must be considered.

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Assemblage

The combining of two or more parcels, usually but not necessarily contiguous, into one ownership or use; the process that creates plottage value. Plottage is the increment of value created when two or more sites are combined to produce greater utility. With an assemblage it is the responsibility of the appraiser to determine if the subject property is in fact a stand-alone parcel and can be utilized separately, which calls for an individual appraisal, or a noneconomic remnant that needs to be assembled in order to create a value.

The assemblage analyses must be done for each contiguous property whether the owners express an interest in ownership of the subject property or not.

DEFINITIONS

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Appraisal

1. The act or process of developing an opinion of value.
2. An opinion of value.

Appraisal Report

The written or oral communication of an appraisal.

Subject Property

The property that is appraised in an assignment.

Scope of Work

The type and extent of research and analyses in or appraisal review assignment.

Legal Description

A description of land that identifies the real estate according to a system established or approved by law; an exact description that enables the real estate to be located and identified

Grantee

The person to whom an interest in real property is conveyed.

Grantor: The person conveying an interest in real property.

Estate

The net worth of an entity at appointment time. Possessions left to heirs upon death are often referred to as the *estate*.

Fee Simple Estate

An unconditional, unlimited estate of inheritance that represents the greatest estate and most extensive interest in land that can be enjoyed. It is of perpetual duration. When the real estate is in a condominium project, the unit owner is the exclusive owner only of the air space within his or her portion of the building (the unit) and is an owner in common with respect to the land and other common portions of the property.

Eminent Domain

The right of a government to take private property for public use upon payment of its Fair Market Value. Eminent domain is the basis for condemnation proceedings.

Condemnation

The act or process by which property is acquired for public purpose under the power of eminent domain, following due process of law and on the payment of just compensation; the act of a federal, state, county, or other government, district, or public utility or corporation

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vested with the right of eminent domain to take private property for public use when a public necessity exists.

Irreducible Minimum

The State Rule, under Maryland Law, allows special benefits to offset severance damages, but not the value of the take. The state must pay at least for the taking.

Acquisition

The process of obtaining by negotiation, or through eminent domain action, the Right-of-Way necessary to construct or support a project.

Easement

A right of way giving persons other than the owner access to or over a property.

Right-of-Way

The right to pass across the lands of another; land or property, or an interest in land or property, for transportation purposes

Market

The place where people interact to sell and buy.

Fair Market Value in Condemnation

FAIR MARKET VALUE DEFINED **(Section 12-105, Annotated Code of Maryland)**

The Fair Market Value of property in a condemnation proceeding is the price as of the valuation date for the highest and best use of the property which a vendor, willing but not obligated to sell, would accept for the property, and a purchaser, willing but not obligated to buy, would pay, excluding any increment in value proximately caused by the public project for which the property condemned is needed.

In addition, Fair Market Value includes any amount by which the price reflects a diminution in value occurring between the effective date of legislative authority for the acquisition of the property and the date of actual taking if the trier of facts finds that the diminution in value was proximately caused by the public project for which the property condemned is needed, or by announcements or acts of the plaintiff or its officials concerning the public project, and was beyond the reasonable control of the property owner.

“It is the Fair Market as defined by the Annotated Code of Maryland that should be included in an appraisal in place of the USPAP or any other definition of Fair Market Value”.

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Fair Market Value

The most probable price that a property should bring in a competitive market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) Seller and buyer are typically motivated; (2) A reasonable time is allowed for exposure in the open market and payment is made in terms of cash in United States dollar or in terms of financial arrangements comparable thereto and; 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by someone associated with the sale. (IRWA)

Market Analysis

A study of market conditions for a specific type of property.

Before and After Method

An appraisal method used in the valuation of partial acquisitions. The appraiser develops an opinion of value prior to the acquisition or take and another opinion of value after the acquisition or take. The difference is the value of the acquisition. (IRWA)

State Rule

In condemnation, the process of determining just compensation by estimating the value of the portion to be acquired as part of the whole property plus the net severance damages may be referred to as a *taking plus damages rule*. See also before and after rule.

Just Compensation

In condemnation the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position as he or she would be if the property had not been taken.

Damages

In condemnation, the loss in value to the remainder a partial taking of property. Generally, the difference between the value of the whole property before the taking in the value of the remainder after the taking is the measure of the value of the part taken and the damages to the remainder. Note that different regions of the country and different courts may use terms such as consequential damages and severance damages differently.

Special Benefits

In eminent domain valuation, the benefits that arise from the peculiar relation of the land in question to the public improvement, usually resulting from a change in its highest and best use. Special benefits may accrue to multiple parcels (such as all four quadrants of a newly constructed freeway interchange) because the parcels are directly benefitted in a similar manner, if not the same degree.

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General Benefits

The advantage accruing from a given public improvement to the community as a whole.

Larger Parcel

In governmental land acquisitions, the tract or tracts of land that are under the beneficial control of a single individual or entity and at the same, or an integrated, **highest and best use**. Elements of consideration by the appraiser in making a determination in this regard are contiguity, or proximity, as it bears on the highest and best use of the property, unity of ownership, and unity of highest and best use. In most states, unity of ownership, continuity, and unity of use are the three conditions that establish the larger parcel for the consideration of severance damages. In federal and some state cases, however, contiguity is sometimes subordinated to unitary use.

Full Taking

The entire taking of the full real property interest of a parcel for public use under the power of eminent domain; requires the payment of compensation

Partial Acquisition

The acquisition of a part of a real estate parcel or a real property interest for public or quasi-public use under eminent domain; acquisition by Condemnation of only part of the property or some property rights.

Temporary Construction Easement

An easement granted for a specific use for a specific start and end date.

Perpetual Easement

An easement that continues for an indefinite time.

Revertible Easement

An easement in which the right to possess and resume the full and sole use and proprietorship of real property which temporarily has been alienated by an easement.

Remainder

In eminent domain condemnation, that portion of a larger parcel remaining in the ownership of the property owner after a partial taking. See also **larger parcel**.

Physical Characteristics

A category of elements of comparison in the sales approach; comparable properties can be adjusted for differences in such characteristics as size, age (at the time of the transaction), condition, functional utility, and quality of the improvements.

Topography

Detailed graphic delineation on maps or charts of natural and artificial features of a place or region, especially in a way to show their relative positions and elevations; the configuration of a surface, including its relief and the position of its natural and artificial features.

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Raw Land

Land on which no improvements have been made; land in its natural state before grading, construction, subdivision, or the installation of utilities.

Site

Land that is improved so that it is ready to be used for a specific purpose.

Site Improvements

Improvements on and off the site that make it suitable for its intended use or development. On-site improvements include grading, landscaping, paving, and utility hookups; off-site improvements include streets, curbs, sidewalks, drains, and connecting utility lines

Uneconomic Remnant

A remainder property of little value or use; the parcel of real property in which the owner is left with an interest after the partial acquisition of the owner's property, and which the Agency has determined has little or no value of utility to the owner.

Access

The legal right to enter and leave a tract of land from a public way. Can include the right to enter and leave over the land of another.

Loss of Access

Depriving an abutting owner of the inherent rights of ingress and to egress from the highway or street.

Acre

Measure 43,560 square feet in one acre.

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such market conditions or trends; or about the integrity of the data used in an analysis.

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

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Jurisdictional Exception

An assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.

Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are **legal permissibility**, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property - specific with respect to the user and timing of the use - that is adequately supported and results in the highest present value.

Highest and Best Use of Land or Site as Though Vacant

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

Highest and Best Use of Property as Improved

The use that should be made of the property as it exists. An existing improvement should be renovated or retained so long as it continues to contribute to the total Fair Market Value of the property, or until return from a new improvement would more than offset the cost of demolishing the existing building and constructing new.

Interim Use

For temporary use to which a site or improved property is put until it is ready to be put to its future highest and best use.

Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale price (or unit prices, as appropriate) of the comparable properties based on relevant, market derived elements of comparison.

Elements of Comparison

Characteristics or attributes of properties and transactions that cause the prices of real property to vary; include real property rights conveyed, financial terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, physical characteristics, and other characteristics such as economic characteristics, use, and non-realty components of value

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Contribution

The concept that the value of a particular component is measured in terms of the amount it adds to the value of the whole property or as the amount that its absence would detract from the value of the whole. The principle of contribution is the basis for the adjustment process in the sales comparison approach.

Contributory Value

The change in the value of a property as a whole whether positive or negative, whether positive or negative, resulting from the addition or deletion of a property component. Also called *deprival value* in some countries.

Adjustments

Mathematical changes made to basic data to facilitate comparison or understanding. When dollar adjustments are used, individual differences between comparables and the subject property are expressed in terms of plus or minus dollar amounts; with percentage adjustments, individual differences are reflected in plus or minus percentage differentials.

Comparable Sales

Recent sales of similar properties in nearby areas and used to help determine the Fair Market Value of a property. Also referred to as "comps."

Final Opinion of Value

The opinion of value derived from the reconciliation of value indications and stated in the appraisal report; may be expressed as a single point, as a range, or in relation to a benchmark.

Effective Date

The date at which the analysis, opinions, and advice in an appraisal, review, document, or consulting service apply. May be retroactive, current or future.