

Chapter 5 *Appraisal Review*

5-1 General

Appraisal review is performed by designated Review Appraisers. The Washington State Department of Transportation (WSDOT) may employ Review Appraisers in either Headquarters, the region, or by personal services contracts. For personal service contracting procedures and administration, see [Chapter 1](#), Section 22.

When available qualified state staff must be utilized before private consultants can be contracted.

A qualified Review Appraiser shall review an appraisal of real property and/or property rights prior to initiation of negotiations.

5-2 Responsibilities

5-2.1 *Section Manager, Appraisal and Appraisal Review Program*

The Section Manager, Appraisal and Appraisal Review Program, responsibilities include:

- A. Resolving controversial appraisal review problems. Exception: The manager may not intercede in, or alter a Determination of Value (DV) ([RES-214](#)) made by a Review Appraiser.
- B. Monitoring designated Review Appraisers to ensure the uniformity and quality of appraisal reviews. This is done through spot check field and procedural reviews; also, by obtaining corrected, missing, and/or additional data and requesting corrective action on DVs.
- C. Interpreting the intent and meaning of the appraisal review requirements when questions arise.

5-2.2 *Region Real Estate Services Manager*

The Region Real Estate Services Manager responsibilities include:

- A. Assignment of appraisal reviews to designated Region Review Appraisers.
- B. Setting just compensation when the Review Appraiser is a fee consultant.
- C. Declaring and authorizing the purchase of uneconomic remnants when the Review Appraiser is a fee consultant.

5-2.3 Review Appraiser

The Review Appraiser regards an acceptable appraisal as an important consideration in the completion of the DV and the appraiser as a consultant and market analyst. The review process establishes the approved “just compensation” (see Section 5-5.1.C.11).

- A. All appraisals are reviewed to:
 - 1. Ensure that appraisal reports contain or reference sufficient information (e.g., studies or other previously submitted appraisals) to support the conclusions of the report; also, that appraisal reports conform to established appraisal practices and WSDOT requirements as described in the Appraisal Report Guide ([Appendix 4-1](#)).
 - 2. Ensure that the appraisal is equitable and that the property owner will be receiving “fair and just” compensation in accordance with the Real Property Acquisition Act ([Chapter 8.26 RCW](#)), the *Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970*, as amended, and current eminent domain law.
- B. The Review Appraiser may use a method of review that takes into -consideration valuations of other properties on the project.
- C. The WSDOT staff Review Appraiser establishes the “just compensation” (usually fair market value, but never below fair market value) of the property and/or property rights and reports the com-pensation on a DV. The DV may be revised anytime prior to final settlement to reflect later evaluation evidence, a property owner’s appraisal, or project plan revisions. All DVs are documented with the original retained in Headquarters and a copy retained in region.
- D. A fee Review Appraiser may not establish “just compensation” for WSDOT.

5-3 Preliminary Procedures

5-3.1 Preliminary Review

It is recommended that all projects consisting of significant numbers of parcels and/or complexity be inspected and reviewed prior to submitting project funding estimates for authorization and funding. This is done to save time and effort in the appraisal and negotiation stages. An inspection team consisting of a region appraisal representative (supervisor, senior appraiser, or staff journeyman appraiser), a review appraiser, and a relocation agent (when applicable) identifies the following:

- A. Special types of appraisals and the need for specialists or consultants.
- B. Environmental and shoreline management problems.
- C. Public or semipublic agency parcels and railroads.
- D. A need for legal opinions.
- E. A need for plan modifications and revisions to avoid or mitigate damages.

- F. “Uneconomic remnants” and possible trade or exchanges for surplus properties or excess right of way.
- G. A need for copies of leases for appraisal and -acquisition purposes that would establish the ownership of buildings, structures, and other improvements as real property.
- H. Items that will be appraised and acquired as realty fixtures.
- I. Items that are determined to be personalty for relocation assistance purposes.

5-3.2 *Joint Inspection With Owner*

For all properties where improvements will be acquired, the review appraiser and a relocation agent are required to attend the appraiser’s joint inspection with the property owner and tenant, if any. This is for purposes of clarifying and identifying realty vs. personalty items as well as to ascertain ownership rights.

5-3.3 *Desk Review*

The Review Appraiser “desk reviews” all appraisals of each parcel to assure proper project and parcel identification, adequate response to the assignment, application of proper technique, completeness, and mathematical accuracy. The Review Appraiser is provided with their own copy of the appraisal report.

5-3.4 *Field Review*

The Review Appraiser examines the subject property in the field and the market facts on which conclusions of value depend. Appropriate sources (buyers, seller, brokers, public records) may be contacted to verify statements of fact, the adequacy of the market search, and the appraiser’s understanding of the impact of the WSDOT plan on the subject property. The Review Appraiser may contact other sources of information to establish parameters of value or to determine whether additional expertise is required to assist the appraiser in completing an acceptable report.

5-4 **Analysis of Appraisal Reports**

5-4.1 *Requirements*

The Review Appraiser analyzes the appraisal report to assure that the report:

- A. Conforms to the requirements of:
 - 1. The Appraisal Report Guide ([Appendix 4-1](#)).
 - 2. The appraisal contract or the Staff Appraiser Assignment form ([RES-203](#)).
 - 3. Any special instructions.
- B. Clearly states the appraisal problem.
- C. Incorporates specialists’ opinions (e.g., value of timber, fixtures) as they contribute to the value of the whole property, rather than as arbitrary additions to the value of the real property.

- D. In the case of tenant-owned real estate (buildings, structures, and/or other improvements), the specialists' opinions of value are to reflect two premises: (1) Contribution value to the whole property, and (2) Value for removal (salvage). Just compensation for tenant-owned improvements is the greater amount.
- E. Clearly presents:
 - 1. An explanation of the appropriate evaluation principles.
 - 2. The market evidence and/or other supporting evidence.
 - 3. A list of items considered part of the realty as well as further comments on items that might be in a "grey" area, e.g., drapes, dishwashers, stoves, special light fixtures, when applicable; or buildings, structures, or other improvements to be added to the appraisal.
 - 4. The value estimate.
- F. Excludes non-compensable items.
- G. Neither omits nor contradicts any factual data that was available to the appraiser.
- H. Contains no conflicting statements or erroneous conclusions.

5-4.2 **Minor Deficiencies**

In the case of minor deficiencies in the appraisal report, the Review Appraiser:

- A. Does not delay arriving at a DV.
- B. Makes notation of the following types of errors on a memorandum, sends the memorandum to the Region Real Estate Services Manager (RESM) (or Appraiser Supervisor) and on the DV notes: "See Memorandum dated _____."
 - 1. Mathematical errors.
 - 2. Project identification data.
 - 3. Parcel numbers.
 - 4. Owner's name.
 - 5. Parties to the transaction, excise tax number, and date of purchase for either sales of the subject property or comparable sales.
 - 6. Location, zoning, or present use of either the subject property or of comparable sales.
 - 7. Nonconformance with the Appraisal Report Guide ([Appendix 4-1](#)) and/or departmental standards.

5-4.3 Major Deficiencies

- A. Major deficiencies are usually found in the following areas: analysis, reasoning, and conclusions. When the Review Appraiser finds that the appraisal report needs clarification or contains substantive errors, the following actions are taken:
 1. Prepares a memorandum stating the critical deficiencies or the need for clarification.
 2. Transmits the original of the memorandum to the RESM and sends a copy to the Section Manager, Appraisal and Appraisal Review Program. Retains the review copy of the appraisal pending receipt of corrections or revisions.
 3. Attends appraisal conferences as necessary and/or advises the Region Appraisal Supervisor.
- B. After examination of the memorandum and a file copy of the appraisal report, the RESM:
 1. Confers with the Review Appraiser, the Region Appraisal Supervisor and/or other affected personnel as needed.
 2. Forwards the appraisal report by memorandum to the staff appraiser or by letter to the fee appraiser with directions necessary to produce an acceptable appraisal report.

5-4.4 Unacceptable Appraisals

- A. If after taking the actions specified in [Section 5-4.3](#) an acceptable report is still not obtained, the Review Appraiser prepares a memorandum citing the reasons for the lack of acceptance. The memorandum is submitted to the Section Manager, Appraisal and Appraisal Review Program.
- B. The Section Manager reviews the appraisal report and the memorandum. The Section Manager either:
 1. Upon concurrence:
 - a. Signs and dates the memorandum.
 - b. Attaches the original of the memorandum to the original of the unacceptable appraisal report and places them in the Headquarters parcel file.
 - c. Sends copies of the memorandum to the RESM and the Region Appraisal Supervisor.
 2. Upon nonconcurrence, returns the memorandum to the Review Appraiser stating the actions to be taken or becomes the Review Appraiser and prepares a DV.
- C. The RESM (or Region Appraisal Supervisor) reviews the memorandum and:
 1. Attaches a copy of the memorandum to the unacceptable appraisal report in the parcel file.
 2. Gives a copy of the memorandum to the appraiser.
 3. Initiates action to secure an acceptable appraisal report from a different appraiser.

5-4.5 Owner's Appraisal Report

- A. If the property owner submits an appraisal report—whether self-made or from any other source—the Review Appraiser reviews it disregarding the report's format and takes the following actions as appropriate:
1. If the owner's appraisal report or any part thereof presents useful value information:
 - a. A new DV is prepared using the procedures specified in [Section 5-5](#).
 - b. Copies of the owner's appraisal report are distributed in the same manner as if the report had been prepared by or for WSDOT.
 2. If the owner's appraisal report does not present significant new value information:
 - a. The Review Appraiser makes a copy of the owner's appraisal report to be retained by the reviewer in accordance with the *Uniform Standards of Professional Appraisal Practice*.

The Review Appraiser returns the owner's original appraisal report to the RESM together with a memorandum identifying the parcel and the project (number and title) and stating:

 - (1) The appraiser's name.
 - (2) The date of the owner's appraisal report.
 - (3) The value reported.
 - (4) The reasons for not preparing a new DV based on the owner's appraisal report. The Review Appraiser must state the specific reasons for rejecting the owner's appraisal report so the owner will know why the appraisal was rejected.
 - b. The RESM assures that the owner's appraisal report is returned to the owner through the Region Real Estate Services Acquisition Agent. The RESM includes a letter which clearly states the reasons the owner's report was unacceptable as a basis for a revised offer.

5-5 Determination of Value (DV) – Preparation/Distribution

5-5.1 Normal Preparation/Distribution

- A. The Review Appraiser prepares the DV upon receipt of the copy of the appraisal report. This appraisal report must contain an unbiased evaluation of all available market value evidence and includes:
 1. A desk review as specified in [Section 5-3.3](#).
 2. A field review as specified in [Section 5-3.4](#).
 3. One acceptable appraisal report. More than one acceptable appraisal report may be required by the Review Appraiser prior to the review if the proposed acquisition is complicated, or of a controversial value nature.
 4. A comparison of values to guarantee consistent value patterns between similar parcels on the project.
- B. The Review Appraiser fills in the following data on the DV:
 1. The number of the DV for this parcel (e.g., 1, 2).
 2. The Review Appraiser's name.
 3. The project and parcel identification data taken from the right of way plan. When a prior acquisition from the same property has been completed, the parcel number(s) of the prior acquisition is inserted on the DV above the new parcel number by adding the following text:

“Prior Acquisition Parcel No._____.”
 4. The appraisal history which includes all appraisals made for WSDOT and all appraisals submitted by the owners that have been used as a basis for value determination.
 5. The appraisal review history which includes all prior DVs.
- C. In the center section of DV #1, the Review Appraiser includes a narrative stating:
 1. The extent of the Review Appraiser's inspection of property and sales, including confirmations.
 2. Any information with regard to hazardous materials as contained in the Washington State Department of Ecology's Facility/Site [HazMat Database](#).
 3. The adequacy of the property description in both the “before” and “after” situations.
 4. The differences between appraisals, if more than one appraiser was used, or if there is an appreciable change in value between an original appraisal and a later updating.
 5. A range of market evidence and whether the appraiser's conclusions fall within the range.

6. A statement of concurrence with the application of market evidence and final conclusions.
7. Whether the appraisal follows special instructions and whether it contains any required copies of specialists' reports.
8. "Before" and "after" values except for noted minimal and strip appraisals.
9. An allocation of the value for the subject land and the improvements is shown or referenced to an appraisal report sheet. Both the "before" and "after" situations are described.
 - Totals of "before" and "after" values are rounded to be consistent with normal real estate transactions.
 - The difference between the "before" and "after" values equals just compensation except when the special benefits exceed the acquisition plus damages.
 - Identify acquired buildings individually.
 - Identify fixtures appraised as real estate.
 - Designate buildings, structures, signs, and other improvements owned by tenant/lessees.
 - Just compensation due the tenant/lessee for said items is determined by the WSDOT staff Review Appraiser at the higher of the two valuation premises, as defined in Section 5-4.1.D.
10. If the appraisal and DV cover two or more parcels, an allocation of the just compensation is made on an attached exhibit to the DV covering each parcel.
11. If an "uneconomic remnant" is involved, see Section 5-5.2 below.
12. Just compensation based on the appraisal(s). Allocation of this just compensation is made to acquisition, damage items, and benefits. If the Review Appraiser is satisfied with the appraisal but comes to different conclusions, the differences are explained and any new supporting evidence is attached to the DV.
13. The amount of the approved just compensation that is eligible for federal participation. If the right of way project does not have federal funds participation, the last sentence on the DV beginning "I further certify . . ." is crossed out.
14. The date of the approved just compensation, which is the date of the last inspection by either the appraiser or the reviewer. The signature date is the date the Review Appraiser signs the DV and does not precede the date of just compensation.
15. Only a WSDOT official may declare just compensation. A fee Review Appraiser may only recommend just compensation. When a fee Review Appraiser is hired, the DV must include a Statement at the bottom of the document for concurrence by the appropriate official of WSDOT.

- D.
1. If the Review Appraiser is not satisfied with the appraisal or corrections, a second appraisal may be requested in a memorandum addressed to the RESM. The memorandum should include the reasons why the corrections or second appraisal are needed.
 2. If the review appraiser is unable to approve an appraisal as an adequate basis for the establishment of the offer of just compensation, and it is determined that it is not practical to obtain an additional appraisal, the review appraiser may present and analyze market information to support an approved value. In this instance:
 - a. The Review Appraiser becomes the “appraiser of record”
 - b. The Review Appraiser prepares a memo explaining the reasons for any discrepancies between the appraisal and the DV. This memo will be delivered to the property owner with the offer to purchase.
 3. If a new DV is prepared, the Review Appraiser:
 - a. Numbers each DV for a parcel in sequential order, e.g., DV #2, DV #3.
 - b. Fills in the appraisal and review history.
 - c. Evaluates all the latest appraisal evidence or map change information.
 - d. Gives the justification for the changes on the new DV and references those items which appeared on the previous DV which still pertain to the current DV.
 - e. Completes the DV in the usual manner.
- E. **Private Access Easements for Transfer** – When a R/W plan shows an “Access Easement for Transfer” across a private owner (A), the servient tenement, to serve another single private owner (B), the dominant tenement, we cannot condemn for the easement. We cannot condemn to provide private access to a third party because this situation is not a public use, as defined in [RCW 8.04.070](#).
1. The Review Appraiser prepares a two-premise DV for each property. The “before” description and valuation is the same for both premises. The “after” description and valuation is different.
 - a. For Owner A, the first premise in the “after” situation is without the easement. The second premise in the “after” is with the easement.
 - b. For Owner B, the first premise in the “after” situation is without the easement from Owner A. The second premise in the “after” is with the easement from Owner A.
- F. The Section Manager, Appraisal and Appraisal Review Program, routes the original of all DVs to the permanent file.

- G. The Region Appraisal Supervisor:
 - 1. Forwards one copy of the DV to the RESM.
 - 2. Forwards one copy of the DV to the Region Acquisition Supervisor.
 - 3. Enters DV data into the computer system.

5-5.2 *Uneconomic Remnant*

- A. On behalf of WSDOT, the Review Appraiser on Staff determines whether a -remainder (or any part thereof) qualifies as an “uneconomic remnant” based upon the following guidelines:
 - 1. An “uneconomic remnant” is a remainder which has little or no utility or value to the owner.
 - 2. Even though a parcel may be considered to have little or no value or utility in the “before” situation, when the acquisition leaves a remainder, that remainder should be declared an “uneconomic remnant.”
- B. The final paragraph on the DV shall clearly identify the “uneconomic remnant,” support its declaration as such, and state its value. This paragraph is underlined or typed in italics.

Note: The DV is the acquisition agent’s authority to offer to purchase an “uneconomic remnant.”
- C. A Review Appraiser on contract with WSDOT may recommend whether a remainder (or any part thereof) qualifies as an “uneconomic remnant” based upon those guidelines above.

5-5.3 *Surplus Property*

When it has been determined that a state-owned real property or property right (including any improvements thereon) has become surplus to WSDOT’s needs, an appraisal is prepared as specified in [Appendix 4-1](#). The Review Appraiser:

- A. Reviews the appraisal as specified in [Section 5-4](#).
- B. Completes a DV for Surplus Property.
- C. Returns the completed DV to the Section Manager, Appraisal and Appraisal Review Program. The Review Appraiser:
 - 1. May include data and explanations if data is weak or insufficient.
 - 2. May set an indication of a value range rather than a specific value.
 - 3. May recommend the means of disposal.
- D. Access modifications shall be appraised on a “before and after” premise. If the appraised surplus property right is an access modification, establishes the value of the access rights to be conveyed at no less than \$1,500 per WSDOT’s policy for access conveyances in Section 1420.09(2)(c) of the [Design Manual](#) M 22-01.

5-5.4 **Minimum Payment Policy**

It is the policy of WSDOT that an acquisition DV will not be prepared for less than \$500 for real estate except in the event of special benefits in which case the minimum amount of the DV is zero. WSDOT's minimum payment policy is not applicable to local agencies; however, a local agency can create a policy if desired.

5-6 **Appraisal Review for Other Public Agencies**

Appraisal reports from local public agencies and other state agencies are reviewed for conformance to federal standards and WSDOT operating requirements for validity and support of value conclusions. (See [Appendix 4-1](#), Appraisal Report Guide.) This necessitates that the reports be accompanied by a copy of the appraiser's contract and a determination that the report has complied with the agency's appraisal contract. The agency will attach a letter requesting the review, along with:

- A. A dated map showing the parcel boundary.
- B. The before, after, and/or acquisition areas.
- C. Sufficient engineering data to show the effect of the project on remainder properties.

The submitting agency is responsible for obtaining necessary replacements for unacceptable appraisal reports and for obtaining any substantive revisions of inadequate reports furnished to WSDOT by the agency. Requests for appraisal review service of less than WSDOT standards (such as field inspection and -independent value conclusions) may be refused and returned to the agency.

Typically, WSDOT Review Appraiser is not authorized to set just compensation for local agencies. This authority is given to an official within the agency.

The Review Appraiser prepares a "Certificate of Value," in accordance with the [Local Agency Guidelines](#) M 36-63. The Certificate of Value includes a Statement at the bottom of the document for concurrence by the appropriate official of the local agency.

