

5. Appraisal Review

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5.1. Introduction

Before the ROW agent begins negotiations, DOT&PF's review appraiser must conduct an appraisal review and establish a Recommendation of Just Compensation for each parcel to be acquired.

An appraisal review report shall be of sufficient detail, consistent with legal and professional requirements for format and documentation, to present a clear and accurate opinion of appraisal acceptability. DOT&PF requires the [Review Appraiser's Recommendation of Just Compensation Form 25A-R505](#) be completed and submitted for each appraisal review.

The Recommendation of Just Compensation is referred to as the "Reviewer's Recommendation" or simply "Recommendation." For total acquisitions, just compensation is based on the Department's recommended (approved) appraisal and may be no less than the Department's authorized ROW review appraiser's recommendation. For partial acquisitions, just compensation is based on the Department's recommended appraisal of value, giving consideration to compensable (severance) damages and/or special project benefits (if any), and may be no less than the recommendation established by the Department's authorized ROW review appraiser. The minimum just compensation for any interest acquired by DOT&PF must not be less than the minimums established in Section 6.2.1 of this manual.

To make the Recommendation of Just Compensation and determine whether each appraisal is acceptable, a review appraiser must review all appraisal reports received by DOT&PF including both those commissioned by DOT&PF and those provided to DOT&PF through other means (such as appraisals performed for and provided by property owners). After review, the review appraiser shall identify each appraisal report as recommended (approved as the basis for the establishment of the amount believed to

be just compensation), accepted (meets all requirements, but not selected as recommended or approved), or not accepted (rejected) (see [49 CFR 24.104](#)).

An appraisal may be acceptable without being the recommended appraisal for the parcel. For example, if DOT&PF has requested two appraisals for the same parcel, both may be acceptable (correct format, use of correct forms, complete supporting data, etc.), but only one can be the recommended appraisal.

In addition to determining the Recommendation of Just Compensation, the review appraiser:

- provides technical assistance to DOT&PF, LAW (LAW), and other State agencies, and to staff and fee appraisers and review appraisers;
- acts as Headquarters' representative on appraisal or value-related issues;
- acts as the Headquarters' representative on project plans-in-hand inspections, appraisal contract selections, and appraisal plans; and reviews and recommends (approves) specialty reports; and
- administers contracts for review appraisers when the Statewide Real Estate/ROW Chief deems it necessary and provides permission to hire contract reviewers;

Additionally, the review appraiser:

- under [49 CFR 24.102\(n\)\(2\)](#) may not be unduly influenced or coerced regarding any valuation or other aspect of an appraisal, review, including for the purpose of justifying administrative settlements;
- may not be supervised or formally evaluated by a person functioning as a negotiator unless this requirement is specifically waived by FHWA under hardship to DOT&PF; and
- may not have any direct, indirect, present, or prospective interest in the property to be valued and is required to so certify when he/she signs the Certificate of Appraiser.

Unless otherwise specified, all instructions in this chapter refer to the review appraiser ("Reviewer") from the Statewide Appraisal and Review Group or

the contract review appraiser who has been assigned to the project.

5.2. Appraisal Review Requirements

For DOT&PF purposes, appraisers (including review appraisers) and estimators are divided into three classifications: staff, fee (contract), and specialty.

5.2.1. Pre-Appraisal Site Visit

Whenever possible a review appraiser should accompany the appraiser on a pre-appraisal site visit of the project and discuss any potential problems.

5.2.2. Review Appraiser Assignment

All appraisal reports, regardless of source, shall be timely transmitted directly to the Statewide Real Estate/ROW Chief, or delegate, who then assigns a review appraiser to each. Upon receipt, the review appraiser logs all appraisal reports on the appraisal review tracking system.

5.3. Review Process

5.3.1. Compliance Check

Check all mathematical computations in the appraisal report for accuracy; proofread the appraisal report, including for clarity and logic; check with the ROW agent for any concerns regarding credibility or outdated information; and complete the Conformance to Plans and the Appraisal Report Checklist as follows:

Conformance to Plans

Check the conformance of the appraisal report against the ROW plans by ensuring that the appraisal report reflects the following:

- accurate project number and parcel numbers;
- correct ownership;
- current ROW plans, design plans/profiles, and cross-sections;
- accurate areas;
- discussion of all encroachments; and
- existing easements, including identification of size, purpose, use, and interests.

Appraisal Report Checklist

Complete a [Narrative Appraisal Checklist Form 25A-R510](#) for each report to ensure that all of the required items specified in Ch. 4 are included.

For contracted reports:

- check the report against the contract to ensure that all requirements (scope of work, special instructions, type of report, etc.) have been fulfilled; and
- if all applicable items in the checklist are present in the report, send a Recommendation for Payment of 75% to the ROW agent.

5.3.2. Post-Appraisal Site Visit

If feasible, conduct an onsite review of each assigned appraisal report and the comparable sales (with the appraiser if possible) as soon as possible after the appraisal reports are received. As part of the site visit, take the following actions:

- identify the scope of available data on the project, including relevant appraisals and comparable sales;
- perform spot checks to confirm the accuracy of sales data and the descriptions of both the subject and comparable sales;
- become familiar with zoning, local ordinances or codes, regional requirements, etc. to evaluate the appropriateness of the appraiser's analysis;
- conduct an overview of area and neighborhood economic trends;
- for a partial acquisition, examine cross sections and plans to thoroughly consider the effects of access, drainage, topography, design features, etc. on potential damages or benefits; and
- conduct spot check interviews of landowners, neighbors, assessors, real estate professionals, recording officers, media, previous owners, local appraisers, or other interested parties as necessary.

If it is not feasible to conduct a site visit, place a written explanation for reasons in the project file (for example: “The appraisal is uncomplicated and involves small amounts of money”; “There are no significant improvements”; or “The review appraiser is familiar with the subject and comparable data from prior inspections.”).

5.3.3. Review of Appraisal/Appraisal Report

Analyze all aspects of the appraisal report. When reviewing a specialty report, disclose any training and

experience limitations you may have and consult with appropriate technical specialists as necessary.

During the review, answer the following questions:

1. Are the sales or market data used comparable to the property under appraisal?
2. Does the appraisal represent current value, or current in the context of market conditions that existed on the effective date of the appraisal?
3. Does the report include accurate information?
4. Does the report contain sufficient pertinent data to value the property adequately? Are all pertinent data incorporated in the analysis?
5. Are adjustments to the data supported, proper, and consistent?
6. Does the analysis of the data result in logical conclusions? Are the conclusions appropriate, fair, and reasonable?
7. Does the appraisal conform to acceptable appraisal methods, procedures, and techniques?
8. Does the appraisal conform to DOT&PF requirements?
9. Does the appraisal include all applicable approaches to value? If not, is there an adequate explanation why an approach was not used? Is each approach adequately supported?
10. Has the appraiser considered all compensable items, including damages and benefits, and excluded items considered non-compensable under Alaska law, or considered ineligible for Federal participation?
11. Does the appraisal identify or list:
 - a. All affected buildings, structures, and other improvements?
 - b. Fixtures considered a part of the real property acquired or damaged?
12. Does the appraisal give appropriate, fair, and reasonable treatment to tenant-owned improvements? Is there an allocation of fee-owned and tenant-owned interests?
13. Are opinions based on sound reasoning and explanations?

14. Has an uneconomic remnant been created in the remainder?

15. Is the value conclusion consistent with other appraisals of similar properties submitted to the Statewide Appraisal and Review Group? If not, why?

16. Is the number of appraisals adequate?

If the scope of work includes special instructions for the appraiser, consult with the Regional ROW Chief and the appraisal supervisor or DOT&PF's counsel to determine whether the appraiser properly followed the instructions.

Consider any information available for the parcel and similar properties in close proximity, including DOT&PF waiver valuations and recommended appraisals, appraisals submitted by property owners, etc. Consider any relevant data that are not included in the appraisal, such as unreported sales, general economic indicators and trends, changes in development patterns, and physical or social factors that may affect the site or neighborhood, etc.

5.3.4. Request for Corrections, Revisions, Explanations, or Supplements; Unacceptable Appraisals

If the Reviewer cannot accept the appraisal because of errors or insufficient documentation or analysis that may affect value conclusions, contact the appraiser and request additional consideration. Note minor errors and give the appraiser the opportunity to make adjustments.

If there is data that may affect value that is not included in the report, provide it and request further consideration. The appraiser will either supplement the appraisal report or provide written documentation to support a decision not to use the data.

Give due deference to the appraiser's opinions. Refer any unresolved differences of opinion on value-related technical appraisal issues to the appropriate Regional ROW Chief and staff for action. Document all reasons for not being able to accept the appraisal.

5.3.5. Findings of Unacceptability

An appraisal is unacceptable if it does not meet the standards of this manual or is inconsistent with the Uniform Standards of Professional Appraisal Practice, and if reasonable efforts to obtain corrections, supplements, or revisions are ineffective.

Justifications for unacceptability include, but are not limited to:

- inadequate research, investigation, or interpretation of market facts has led to unsupported conclusions;
- the appraisal incorrectly used recognized methods and techniques necessary to produce a credible appraisal; or
- analyses, opinions, or conclusions are misleading.

Consider all necessary explanations, corrections, revisions, or supplements before issuing the Recommendation of Just Compensation. For an unacceptable appraisal, retain file notes until settlement or project certification, whichever is later.

Document all changes in the original reports and retain them in the parcel file until settlement or project certification.

Send written notification with the reasons for unacceptability of an appraisal and a recommendation for nonpayment to the Regional ROW Chief for action. The contracting officer makes the decision on whether to withhold payment.

5.3.6. Corrections and Changes to the Appraisal by Review Appraiser

Make pen and ink corrections of any minor mathematical or structural errors if they don't affect the final conclusion of value. Initial and date each correction.

Include in the appraisal any changes for revised areas, minor design changes, delays between the effective date of the appraisal and Recommendation of Just Compensation dates, etc. by initial and date, if the appraiser is unable to make these changes within a reasonable time. Attach to the appraisal written support for any changes.

5.3.7. Request for Additional Appraisal

It may be necessary to request an additional appraisal, if:

- original appraisal fails to meet minimum standards;
- there is an unresolved divergence among appraisers concerning value or interpretation of data; or
- Reviewer deems it necessary.

Coordinate the justification for an additional appraisal with the Regional ROW Chief, who has the ultimate authority to authorize additional appraisals.

5.3.8. Review Appraiser May Establish Independent Value

If an appraisal has inadequate support for the Recommendation of Just Compensation and it is impractical to obtain an additional appraisal, maintain additional documentation to support an independent value. The valuation must reflect the Reviewer's independent analysis and conclusions and meet applicable DOT&PF standards, criteria, or specifications. This valuation then becomes DOT&PF's recommended appraisal.

5.3.9. Uneconomic Remnants

Uneconomic remnants shall be identified, considered, documented, and allocated separate values in the [Review Appraiser's Recommendation of Just Compensation Form 25A-R505](#). Consider owner comments, if any, regional or LAW recommendations, and appraisal issues, which shall be included in the appraiser's report. See Chapters 4 and 6.

Show the value of any uneconomic remnant on the right-hand side of the Recommendation of Just Compensation within the allocation section of the form and include it in the Federal participation section of the form. Do not add it to the value, since it may reflect the use of the property rather than its value.

5.3.10. Basis for Just Compensation

In the basis section of the [Review Appraiser's Recommendation of Just Compensation Form 25A-R505](#), include a discussion of any significant divergence on parcels with more than one appraisal. If an adjustment to the appraiser's value is warranted, support and document its reasons. The review appraiser may round the sum of the components (land, buildings, and damages) and the total to an amount not less than the recommended appraisal.

5.3.11. Documenting the Recommendation of Just Compensation

Prepare the Recommendation of Just Compensation in an objective, independent, and unbiased manner, and document this by placing a signed and dated statement [Review Appraiser's Recommendation of Just](#)

[Compensation Form 25A-R505](#) in the file setting forth the following:

1. The Recommendation of Just Compensation, concluded to a rounded amount not less than the recommended appraisal, allocated to show:
 - a. value of the land to be acquired;
 - b. value of major improvements to be acquired (tenant-owned and owner);
 - c. value of easements, permits, underlying fee, etc. to be acquired;
 - d. cost-to-cure items;
 - e. net damages;
 - f. special benefits; and
 - g. uneconomic remnants, if appropriate.
2. An acknowledgment that the Recommendation of Just Compensation may be used in connection with a Federal-aid project, when appropriate and, if so, a list of any amounts in the Recommendation of Just Compensation that are ineligible for Federal reimbursement as prescribed by [23 CFR 710.203\(b\)\(1\)](#). Ineligible items are listed in Ch. 4.
3. A statement that a site visit of the parcels to be acquired and the comparable sales was conducted, or the reasons a site visit was not conducted.
4. A statement that includes all of the following:
 - a. Reviewer's compensation is not contingent on the results of this review;
 - b. Reviewer will not benefit in any manner from the acquisition of the property being appraised; and
 - c. Reviewer has no direct, indirect, present, or prospective personal interest in the property.
5. A statement that the review appraiser arrived at the Recommendation of Just Compensation as a result of independent, personal, unbiased professional analysis, opinions, and conclusions, based upon a technical review of the appraisal and

other available factual data, without collaboration or direction.

5.3.12. Revisions to the Recommendation of Just Compensation

If additional value information becomes available to the region or LAW after the review, update or revise the Recommendation of Just Compensation at any time before settlement on a separate [Review Appraiser's Recommendation of Just Compensation Form 25A-R505](#), indicating that it is a revision. If LAW has filed a formal condemnation action, confer with the attorney assigned to the matter.

5.4. Routing of Appraisals

Chain of custody is particularly important to maintain the integrity of the valuation and credibility of the agency, avoiding any appearance of improper or prohibited influence on the appraiser or reviewer. In addition, this is critical for litigation to ensure that the records are maintained and the official reports are made available to LAW for their reliance.

Appraisers shall deliver valuations directly to the authorized review appraiser. Appraisals performed for third parties (such as owners or opposing counsel), shall be delivered immediately upon the agency's receipt to the Statewide Real Estate/ROW Chief or Statewide Appraisal and Review Group's authorized review appraiser for the project.

After the review, if there have been any changes to the original appraisal, request changed pages and identify the original pages as "VOID," or clean copies (with original photographs, fully corrected, supplemented, or revised) of the recommended appraisal report from the appraiser. The number of clean copies will be determined by the fee appraiser contract or by LAW. Send the accepted or recommended report and the [Review Appraiser's Recommendation of Just Compensation Form 25A-R505](#) to the appropriate Regional ROW Chief and a copy of all required deliverables to the contract manager for file retention.

5.4.1. File Retention Schedule

The Statewide Appraisal and Review Group manages appraisals and appraisal reports and maintains the official files in accordance with the retention schedules set forth in USPAP. This Group retains the following files through parcel settlement, project certification or, if condemnation or litigation is involved, through final judgment and until the applicable retention schedule compliant with USPAP

and the Uniform Act are exhausted. The following files are retained in compliance with Federal requirements:

- original appraisal report;
- all revised or corrected appraisal pages;
- original and revised comparable sales data and project books;
- all correspondence;
- copy of the [Review Appraiser's Recommendation of Just Compensation Form 25A-R505](#);
- copy of the appraiser's contract or assignment; and
- waiver valuations provided for projects using both appraisals and waiver valuations.

5.5. Appraisal Reports for Condemnation

When a new or revised appraisal is obtained by or for LAW, the appraisal must first be reviewed if it is to be used as a basis for settlement. To facilitate timely review, LAW should inform the regional and Headquarters' offices of the dates of masters' hearings or trials and of new or amended appraisal contracts when they are not the contracting office.

Report the findings, comments, and recommendations of the review directly to the attorney assigned to the matter and seek corrections in coordination with LAW. Maintain the strictest level of the attorney-client relationship, and mark and treat all correspondence, including comments about the appraisal, as CONFIDENTIAL - ATTORNEY-CLIENT COMMUNICATION. Keep all correspondence with LAW in a separate but related file.

Review opposing appraisals in coordination with LAW. Advise LAW of the strongest aspects of a valuation witness' report, and which aspects DOT&PF may successfully challenge.

If additional value information becomes available after the case is filed, consult with LAW to discuss updating or revising the Recommendation of Just Compensation before settlement.

Upon conclusion of the review process, do one of the following:

- issue a new or revised Recommendation of Just Compensation based on the date of acquisition as established by the court;
- advise LAW that the appraisal is unacceptable and document the work file in accordance with USPAP; or
- if the appraisal is not required to be recommended as the basis of value (that is, neither a revision of, nor a replacement for, the recommended appraisal), discuss findings with LAW and document in the file that the appraisal was reviewed before use in a condemnation action.

After settlement, LAW should send a copy of the Settlement Report to the Statewide Appraisal and Review Group.

5.6. Administrative Consistency Spot Checks for Waiver Valuations

When both appraisals and waiver valuations are used for acquisitions on a project, the authorized review appraiser shall perform an administrative consistency spot check on the waiver valuations. This is not an appraisal review and does not adhere to USPAP. The intent is to make a cursory viewing of a representative sampling of waiver valuations to check for consistency with the appraisals. The intent of this risk management tool is to ensure that property owners across the project are fairly compensated and provide the agency an opportunity to avoid concerns of inequitable treatment of property owners across a project. In the event that the review appraiser identifies potential inconsistencies, notify the Statewide Real Estate/ROW Chief and the ROW agent. There may be justifiable reasons for apparent inconsistencies and it is the responsibility of the Region to take action as the Regional ROW Chief deems necessary and appropriate under the Uniform Act.