

Guide to Appraising Real Property

Paragraph Explanations Reports 7-14

In Appraisal Reports 7 - 14, the first page of each report is considered to be a summary page. The summary allows the reader to get the pertinent parts of the appraisal without paging through the entire report. Paragraphs 1 - 8 in the boxes below all belong on the summary page. These address property location, ownership, type of taking, access, applicable land use regulations, highest and best use, utilities, and valuation conclusions. Each one of these areas should be discussed fully within the body of the report. The summary statement on page one generally is not accepted as having adequately addressed the subject.

Throughout the report the appraiser should fill in the blank spaces with an appropriate response; if something does not apply state why or state "N/A". In this way the reader will know that the appraiser has considered the subject and not inadvertently overlooked it. In some cases the reason a subject does not apply should be explained and documented.

| | | |
|-----------------------------------|---|----------------|
| | APPRAISAL REPORT Oregon Department of Transportation | File: ____ |
| RPT # | | |
| 1. Address & Location of Property | | |
| 2. Ownership Information | | |
| Legal Owner | | |
| Address | | |
| Phone | | |
| Contract Purchaser | | |
| Address | | |
| Phone | | |
| Tenant | | |
| Address | | |
| Phone | | |
| Rent/Lease | Rate \$ | Recording Date |

File:

The ODOT file number identifies the property being appraised and it can be found on the Appraisal Specification form.

Address & Location of Property:

Provide street addresses whenever possible. If there is no street address, use a landmark method. e.g. *"3rd house on right side of Pacific Highway W., traveling S from Cipole Road Interchange."* Do not use rural mail route box numbers.

Legal Owner:

Provide the name(s) of the owners of record.

Address, Phone (Legal Owner):

Provide street address or mailing address, city and state, zip code, and telephone number.

Contract Purchaser:

Provide name(s) on the contract. If there is none, state "NONE"

Address, Phone (Contract Purchaser):

Provide street address or mailing address, city and state, zip code, and telephone number.

Section, Highway, County:

These appear on the Appraisal Specifications form.

Eng. Sta.:

The Engineering Station number is to be taken from the right of way map. More than one Engineer Station number isn't necessary except for widely separated parcels. -

Descript Dtd.:

This is the date of the property legal description that the appraisal is based upon. Be sure your appraisal is prepared using the most current legal description, because legal descriptions can be modified during the course of a project. The Exhibit A, which is always included in each appraisal report, provides the legal description. The date of the legal description always appears on this exhibit in the upper right hand corner next to the initials of the person who prepared the description. NOTE: The Exhibit A must be part of each appraisal report.

FAP #:

If this project has federal participation the federal aid project number (FAP #) must be included on the report. The number will appear on the Appraisal Specifications form if it is necessary.

Appraiser:

Provide your full name here.

Tenant, Address, Phone:

Provide the name and mailing address, if different from that of subject property. (Do not include tenants in apartment houses or mini-warehouses, but do include those in single family dwellings as well as all other types of rental properties.) Supply telephone numbers when possible.

Rent/Lease:

Indicate if the tenant is leasing or renting and the term of the rental agreement. (e.g. lease, 5 yr.; rent, month to month.)

Rate:

Identify the rental amount per month or year.

Recording Data:

If the lease is recorded provide the date, book and page number in this space. If possible, obtain a copy of any unrecorded leases.

| |
|--|
| 3. Type of Taking |
| Partial Taking <input type="checkbox"/> Entire Taking <input type="checkbox"/> |
| Area of Entire Property |
| Area of Remainder |
| Area in Fee Taking |

Partial Taking - Entire Taking:

A determination of whether the acquisition is of the entire property or only a portion of the property requires the appraiser to know what makes up the “larger parcel”. In eminent domain the entire property under consideration is called the “larger parcel”. The three (3) tests for what constitutes the larger parcel are unity of title, contiguity and unity of use. (See Right of Way Manual, chapter 4.320, for more details on determining larger parcel). Consult with the Region Right of Way Project Manager if there is any uncertainty as to the larger parcel.

Area of Entire Property:

On partial takings, Oregon Department of Transportation Right of Way maps identify the area of the remainder property exclusive of all fee parcels being acquired. The remainder area does, however, include any permanent or temporary easement parcels that are also being acquired. To determine the area of the entirety, add the area of the remainder to the areas of all the identified fee parcels being appraised. The appraiser is required to verify the area stated to be the entire property and document his or her method of verification under Paragraph 17; however, the Exhibit A is the document which describes the parcel(s) to be acquired by the State and the areas stated in the Exhibit A are to be used in computing the value of the parts taken. If the appraiser's findings do not

agree with the State's Exhibit A and/or Right of Way maps, a determination of the correct area must be obtained from the Region Right of Way Project Manager. If the Exhibit A is incorrect a revised description will be needed, which will change the description date. In all cases the appraiser is to estimate the fair market value of the part(s) taken as described in the Exhibit A.

Area of the Remainder:

The remainder area is that portion of the larger parcel considered present after the project is completed. In Before & After appraisals, the remainder area is used in the After situation. As stated above, the remainder area includes the areas encumbered by permanent or temporary easements along with the remaining unencumbered areas lying outside of the Fee taken areas.

Area in Fee Taking:

List that portion of the taking which Oregon Department of Transportation is buying in fee simple. If there are several parcels to be acquired, list each separately (e.g. P1, P2, etc). Areas should be listed as they appear on the Exhibit A (i.e. if the Exhibit A shows the area in square feet rather than acres, use square feet.)

Area in Permanent Easement:

List each parcel separately, showing its area and intended use as specified on the -Exhibit A, (e.g. P3 --1,250 s.f. -for Slopes).

Area in Temporary Easement:

List each parcel separately, showing its area and intended use as specified on the Exhibit A.

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| 4. Access |
| Before Taking: |
| To Remainder: |

Before Taking:

Indicate the nature, number and location of improved and/or previously reserved points of access to the subject highway. Summarize only. The full discussion on access in the Before situation should go in Paragraph 17.

Specify all other means of accessibility such as county .roads, city streets, etc. to the highway system.

To Remainder :

The project may be the widening of a highway where there still remains direct access to the property. In this case, state that access is limited to a certain number of designated points, and state their location using the engineering station numbers as identified in the appraisal specifications form under Item (6) Access.

If direct access is completely eliminated and the property owner will use other roads to gain access to his property, name or identify those other roads.

If the property is landlocked, indicate the situation and discuss it in the description of the remainder.

Summarize only. The full discussion on access in the After situation should go in Paragraph 37.

| | |
|--------------------------------|-----------------------|
| 5. Land Use Regulations | |
| Zoning | Comp Plan Designation |
| Uses Permitted | |
| Present Use | |

Zoning:

Indicate the current zoning code for the subject property.

Comp Plan Designation:

Indicate the current comprehensive plan zoning designation for the property.

Uses Permitted:

Since zoning codes are not uniform throughout the State, indicate the general use for which the land may be utilized (e.g. residential, commercial, industrial, etc.)

Present Use:

This is not necessarily the highest and best use, but is the actual use to which the property is presently put. Indicate the use as residential, commercial, etc .-, or if appropriate, a combination of uses.

Conflicts between present uses, zoning and comprehensive plan designations, chances for variances, proposed zone changes, etc., are to be included within Paragraph 17 -Detailed Description of the Property Before the Taking.

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|---------------------------------|
| 6. Highest and Best Use: |
| Entire Property |
| Remainder |

Entire Property:

The appraiser's opinion of the entire property's Highest and Best use is to be summarized here. The entire property in question is the Larger Parcel determination. Simplify by using wording such as "residential". "commercial", etc. A full analysis of the Highest and Best Use of the property is required within paragraph 17 of the appraisal.

Remainder:

The appraiser's opinion of the remainder property's Highest and Best use is to be summarized here. A full analysis of the remainder's highest and best use is to be included in the description of the remainder property in paragraph 37.

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| 7. Utilities: |
| Current Facilities |
| Possible Facilities |

Current/Possible Facilities:

Provide a simple statement of current and possible utility facilities that are available to the subject property. A full description and analysis of these facilities is to be included under paragraph 17.

| 8. Summary of Valuation | | | |
|---|-----------------|----------------------------|----|
| | Entire Property | Remainder Property | |
| Taking: | | Included Reports by Others | |
| Land | \$ | | \$ |
| Improvements | \$ | | \$ |
| Damages | \$ | | \$ |
| Special Benefits | \$ | | \$ |
| Total | \$ | | \$ |
| Total Rounded | \$ | | \$ |
| Valuations made by others as shown above are included as a part of the total data considered in arriving at my final conclusion of value. | | | |

Summary of Valuation:

Summarize the value conclusions that were reached and discussed within the body of the appraisal report in Paragraph 8 . Use the Entire Property value arrived at in paragraph 34 of the appraisal. The Remainder Property value is identified when doing a Before and After appraisal and is taken from Paragraph 56. Taking values summarized here in Paragraph 8 correspond with the values identified in paragraphs 57-64.

Paragraph 8 also requires the identification of any specialty valuation reports performed by experts other than the property appraiser and used by the appraiser in arriving at the value of the subject property (e.g. timber appraisals; fixture/equipment appraisals; sign appraisals; etc.) The name of the person doing the specialty report should be identified along with the value. The property appraiser analyzes a specialty report to determine the extent to which its data contributes to the overall value of the subject property. This contributory value is what is used in the property valuation for both the Before and, if applicable, the After situations.

Guide to Appraising Real Property

► **Section 2: Paragraph Explanations, Reports 7 to 14**

Revision Date: January 2008

Page 6 of 39

9. Purpose of Appraisal

The purpose of this valuation is to estimate the fair market value of the subject property in fee simple title as a whole, when applicable; the fair market value of property taken as part of the whole, the fair market value of the remainder after the taking as will be affected by contemplated improvements with consideration for damages, if any, and benefits, if any, to the remainder; and the total just compensation due to the property owner by reason of the taking

All appraisals shall be made on the basis of fair market value. For the purpose of real property acquisition by the State, fair market value is defined as “the amount of money, in cash, that property would bring if offered for sale by one who desired but was not obliged to sell, and was bought by one willing but not obliged to buy. It is the actual value of the property on the date of the taking, with all its adaptations to general and special uses, that is to be considered. However, nothing shall be allowed for prospective value, speculative value or possible value based upon future expenditures and improvements.” (State Right of Way Manual, section 4.135)

In the State of Oregon; *“where a part only of a larger track of land is taken for a public road under the power of eminent domain, the owner is entitled to the market value of the land and improvements actually taken, and also an amount equal to the depreciation in market value of the remainder of the land caused by the road.”* Pape et al. vs. Linn County, (1931), 135 Or. 430, 436-437, 296 P. 65.

Purpose of Appraisal:

This is boilerplate that is used in Reports 7 - 14. The “purpose” of the appraisal included in Paragraph 9 is the definition accepted by the State. Citations from the State Right of Way Manual and Court decisions are also included under Paragraph 9 to assist both the appraiser and the reader in understanding the definition of fair market value and the basis of just compensation as accepted in the State of Oregon.

For the purposes of the general appraisal assignment the date of valuation (referred to in Paragraph 9 as “date of taking”) is equal to the latest date of inspection. An appraisal assignment done for condemnation requires that the date of valuation be the date the condemnation action is commenced or the date the condemner enters on and appropriates the property, whichever first occurs. The State will notify the appraiser of the correct date.

Note: The definition of “fair market value” used in Paragraph 9 is the legal definition set by Oregon Case Law and is to be used by staff and consultant appraisers doing work for Oregon Department of Transportation. Reliance on the USPAP definition is inappropriate. (Refer to USPAP: Definitions: Market Value)

10. I have also made the following assumptions:

Assumptions:

List any assumptions that may influence the final value arrived at in the appraisal. Avoid making unverified assumptions whenever possible. If the accuracy of an assumption is in question, verify it. As an example, it should not be arbitrarily assumed that the State will restore water services or other utilities, irrigation, etc. after the project. Verify this with the Region Right of Way Project Manager. The verified assumptions should appear in Paragraph 10 for the record. (e.g.: Assume water supply will be restored -verified with [name of person]). The purpose of listing verified assumptions here is to indicate limits placed on the value estimate arrived at in the report. Any changes which affect these assumptions will therefore require additional analysis and possibly a revised appraisal.

DO NOT APPRAISE WITH DOUBLE ASSUMPTIONS (e.g. “This appraisal is based upon the assumption the State will construct a stock underpass. If the State does not construct the underpass just compensation will be \$40,000 instead of \$22,000.”) Resolve this and similar issues with the Region Right of Way Project Manager and list these verified assumptions in Paragraph 10. (e.g. “Assume the State will construct a stock underpass - verified with [name of person]”)

11. Preliminary title report furnished and examined:

YES ☐ NO ☐ . Checked at title company . I have given consideration or limited conditions therein that affect the value of subject property. Please explain the exceptions and limiting conditions: .

Preliminary Title Reports:

Check the appropriate box to indicate whether the appraiser received and reviewed the Preliminary Title Report. If the title report has not been received by the time the appraiser is ready to commence work on the assignment, check with the Region RIGHT OF WAY Project Manager to find out which Title Company is preparing the PTR. The appraiser should then contact the title company and make inquiry of title information directly.

Provide a discussion of any recorded and observed easements, encumbrances and/or limiting conditions which may affect the value of the property. Explain other possessory interests such as leases, rights of way, licenses, adverse possessions, mineral rights, etc.

Include a discussion of property interests as it may affect unity of use. Where there are other interests of record used in connection with the subject which raise questions regarding unity of use of the Larger Parcel, submit the pertinent data to the Region Right of Way Project Manager so that he or she may secure departmental opinion. The appraiser should not assume unity of use without confirmation.

12. Subject property has sold within the last 5 years.

YES ☐ NO ☐. If yes, see details on Comparable Sale Sheet No. _____ which includes an explanation of whether the sale is indicative of today's Market Value.

Owner Contact Report: Owner (or designee) accompanied appraiser in inspection of this subject property? YES ☐ NO ☐. Comments and concerns expressed by parties with interest in the subject property (Fee Owner, Contract Purchaser, Lessee, Tenant, etc.) are given below.

Five-Year Sales History of Subject Property:

The appraiser is required to determine if the subject property sold or if title transferred during the past FIVE-YEAR period from the date of the present valuation. The result of this inquiry should be indicated in Paragraph 12. If the property did sell or if title did transfer, a sales data form should be completed and identified in Paragraph 12. Further Guide instructions on the analysis of subject sale(s) are included under Paragraph 19 for unimproved and under Paragraph 23 for improved properties.

Owner Contact Report (15 Day Notice to Inspect):

It has always been Oregon Department of Transportation policy that the appraiser offers the property owner or their designee the opportunity to accompany the appraiser during the property inspection. ORS 35.346 now requires that the appraiser provide not less than 15 days written notice to the property owner regarding the planned appraisal inspection with an offer to accompany. A copy of the appraiser's written notice to the owner should be attached in the addendum of the appraisal report. If the owner or designee waives the right to accompany in writing, a copy of their waiver should also be attached to the appraisal. If the owner waives the right to accompany the appraiser verbally, the appraiser should state so in the appraisal report and maintain proper documentation in their work file.

In Paragraph 12, check off whether the owner or designee did accompany the appraiser on the inspection. The name of the person accompanying the appraiser and the date and time of the inspection should be included.

Paragraph 12 is also where the appraiser identifies and discusses any issues or comments regarding the property or the acquisition that were raised by the owner or designee during the inspection. Furthermore, the appraiser should identify and discuss in Paragraph 12 all issues and comments relevant to the appraisal or acquisition process raised by all interested parties at any point in the appraisal process.

13. Neighborhood Description:**Neighborhood Description:**

Provide a clear and pertinent description of the subject's neighborhood and its relation to the urban or rural community. The goal of the neighborhood analysis is to determine how

social, economic, governmental, and environmental forces influence property values in the subject property area. Neighborhood boundaries are considered to be determined by identifying the area in which these forces act uniformly. The analysis should also contain a more specific description of the properties located in the immediate locale of the subject property. The State is not looking for long dissertations but accurate descriptions pertinent to the appraisal problem.

| | |
|--------------------------------|-----------------------|
| 14. Public Record Data: | |
| Lot: Dimensions | Area |
| Assessed Value: Land | Improvements |
| Year | |
| Date Built | Date Owner Purchased: |
| Date Remodeled | |

Public Record Data:

The information in Paragraph 14 can be obtained from the county assessor's records. Verify the assessor's information regarding the date purchased, date built and date remodeled with the property owner. Comment if the property dimensions and area do not agree with the information provided on the Oregon Department of Transportation Right of Way Map. The appraisal should be based upon the Right of Way Map information.

Complete every space in the box..

| | | | | | | | |
|--|-------|-------|--------|--------|---------|-----|--|
| 15. General Description and Room List: | | | | | | | |
| Room Count: Total/Bedrooms/Baths / / | | | | | | | |
| Rooms | % Fin | Entry | Living | Dining | Kitchen | Den | |
| | | | | | | | |
| Basement | | | | | | | |
| | | | | | | | |
| Level 1 | | | | | | | |
| | | | | | | | |
| Level 2 | | | | | | | |

NOTE: Paragraph 15 is used only when appraising single family residences (Reports 8, 10 & 13)

General Description & Room List:

Room Count:

The total number of rooms, number of bedrooms and number of baths are to be listed in the appropriate boxes.

Overall Dimensions:

The overall dimensions of the house consist of the greatest length and the greatest width.

Area:

The area in square feet consists of the actual total number of square feet of living area on all floors using outside measurements. Do not include the open porches, but list them separately.

Rooms:

Next is a grid to fill in which contains a floor by floor identification of all the rooms in the residence.

Finished area above grade contains: Rooms:

This series of boxes provides an inventory of the number and types of rooms in the house that are above grade.

Square Feet of Gross Living Area:

Total finished living area on all floors - excluding garages, porches, etc.

Garage:

Indicate whether there is a garage, its type and size. In addition, give the overall dimensions and area.

16. Fixtures

Fixtures:

For SFR Reports:

When the Taking affects a single family residence, do this part of the appraisal very carefully. An inventory of fixtures found in the house is important. It is used as a checklist by Property Management. The fixtures normally listed are hot water heater, heating plant or other types of heating, built-in appliances, exhaust fans, permanent light fixtures, storm doors and windows, and carpeting. The fixtures listed also establish a part of the appraiser's basis of comparison with other houses used as comparable sales.

It is helpful for the owner to be made aware that you are tabulating the equipment and where possible to provide the model and serial numbers along with the manufacturer's name or brand. The appraiser should also discuss with the owner any atypical items that the owner may believe are fixtures. Clarification on how these items will be treated in the appraisal should be obtained from the agency.

For All Improved Properties except SFR:

When the Taking affects all or part of an improved property other than a single family residence, an inventory of the fixtures and equipment, their classification, valuation and a photo record are to be included as part of the appraisal report. This may be handled by a specialist other than the real property appraiser.

Or, if qualified, the real property appraiser may be required to furnish all of the above data. An explanation of the process and forms used in creating the fixture and equipment list is located in Section Six of this guide. Further details of the Fixture and Equipment report are in Section 4.610 of the Right of Way Manual.

Regardless of how the fixture and equipment list and classification is obtained, the real property appraiser is responsible for determining how each individual item classed as real property or fixture may contribute to the over all value of the property. The individual valuation is very important to the State's acquisition program; it is paramount that this section be complete and accurate.

This section is to contain a list of all fixtures and equipment that are classed as real property (Category I) and fixtures (Category 11). The list is to provide a description or item number (tied to the classification letter), the contributory value, the salvage value and ownership of each item.

The appraiser must use these values when considering the comparability of the market data. The comparable sales used in the approaches to value are adjusted to reflect the contributory value of those items (or functionally similar items) not present or not included in the sale price.

The Classification Letter (Chapter 4 Exhibit A Right of Way Manual) lists all the fixtures and equipment under the following categories:

Category I

Real Property: These items are so attached as to be considered part of the real property itself, and while of a nature somewhat peculiar to the subject property, they would normally be included in the values as found by the real estate appraiser.

Category II

Fixtures: The items in this category are considered fixtures because:

- a. Of the method of annexation or attachment to the real property.
- b. It is necessary and adapted to the primary use of the property.
- c. The apparent intention at the time of annexation or attachment was to make the item a permanent part of the realty.

Category III Personal Property:

These items may be attached or freestanding. They can be removed by uncoupling, unplugging, or otherwise disconnected or removed with no material loss of value to the item or to the real property. They are not an integral part of the function to which the

realty is devoted without which all or part of the remaining fixtures could not be used to perform this function, these items are not to be included in the real property appraisal analysis.

17. Detailed Description of the Property Before the Taking:

Detailed Description of the Property Before the Taking:

This section allows for a complete narrative description of the subject property as it currently exists before the takings. It should include the following pertinent information: larger parcel identification; zoning; available utilities; current highway access; site features and characteristics; improvements; Highest and Best Use. The appraiser should also include any additional property information that is relevant to the appraisal assignment.

Larger Parcel Identification:

The concept of “larger parcel” is unique to eminent domain appraisal. It is that portion of a property which has unity of ownership, contiguity, and unity of use. The correct identification of the larger parcel is essential to the appraisal. The impact and extent of severance damages and Special benefits, if any, are measured and applied to the larger parcel. Since there are different degrees of title to a property, the unity of ownership test may require a legal interpretation. Unity of use may consider unity of highest and best use, not only existing use. Refer to 4.320 in the OREGON DEPARTMENT OF TRANSPORTATION RIGHT OF WAY Manual for more details on larger parcel identification. If there is any uncertainty, seek clarification from the Region RIGHT OF WAY Project Manager or the Project Appraisal Reviewer.

Zoning:

- a. Current zone code and uses allowed;
- b. Comprehensive plan;
- c. Where appropriate, discuss conflicts between comprehensive plan and zoning, chances for variances, proposed zone changes and the affects on highest and best use, existing or potential Legal claims, such as Measure 37 or 49 claims, that could result in land use regulation waivers, etc.

Utilities:

- a. What utilities are available to the subject?
- b. Are there any special hookup fees, pumping costs, etc.
- c. Current Facilities: Indicate the type and extent of the utilities servicing the property as of the date of appraisal inspection. This includes septic systems, private wells, etc. Include only those services actually utilized by the property. If possible provide the location of septic systems (including drain fields) and wells. The owner's estimate of facilities locations is useful.
- d. Possible Facilities: Indicate all utilities available to the property, even if not connected. If the service is located away from the property, indicate the

distance required to bring the service to the property line (e.g. sewer, 450 ft.).

Access:

- a. Existing legal accesses. Are they legal by Permit, Access Reservation/Grant of Access or because they are “grandfathered” approaches?
- b. Streets and roads which abut and/or serve the property.
- c. Availability or proximity of other modes of commercial transportation such as air, water or rail.
- d. Identify all illegal approaches servicing the property in the Before situation. Clearly identify these as illegal.

The Site:

- a. Geometric shape of parcel, dimensions, area (size), frontage, topography, soil types, and drainage.
- b. Available irrigation, water rights, domestic water.
- c. Crops, orchards, timber, mineral or aggregate deposits.
- d. Special amenities such as view, river or ocean frontage, corner location, traffic exposure, etc.
- e. Site improvements such as landscaping, fences, walks and drives.
- f. Off-site improvements such as curbs, sidewalks, lighting, etc.
- g. Feasibility for sewerage disposal approval, if sewer not available.
- h. Site location in relation to the subject neighborhood. This takes into consideration the time-distance relationship the site has to essential neighborhood amenities. (e.g. Industrial - freeway access, Manufacturing - work force, Residential - employment and commercial outlets). Location can also relate to the environmental forces present in the subject neighborhood such as parks, recreation, schools, smog, etc.

Improvements:

- a. Type of improvements (house, barn, garage, shed, shop, etc.).
- b. Construction and design of each improvement. It may be necessary to describe each improvement separately; the degree of detail is dependent upon the impact the taking has on the improvement. The structures should be described using the following type of format:
 - 1) Exterior (foundation, framing, insulation, walls, roof, etc.)
 - 2) Interior (walls, flooring, finishing, lighting, etc.)
 - 3) Mechanical systems (HVAC, plumbing, electrical, security, etc.)
- c. Number of units, when applicable.
- d. Dimensions, square foot area, number of floors, basement, etc.
- e. Age, effective age.
- f. General condition. Specifically note problem areas and deferred maintenance. The improvement's aesthetic quality as it relates to the market is also important, particularly in residential properties.
- g. Secondary improvements such as fencing, landscaping, wells, etc.

Highest and Best Use:

- a. Present use. Describe the existing use or uses to which the larger parcel is put. Discuss any unity of use issues which could affect value.
- b. Render your opinion of the Highest and Best use of the larger parcel. As defined in the Right of Way Manual (4.325), Highest and Best Use is ‘that reasonable and probable use of the property as of the date of valuation which is most likely to produce the greatest net return to the land and improvements.’ In the Highest and Best Use analysis, do not value the land for one use and the buildings for another in determining their net return. This would be a violation of Consistent Use Theory (Right of Way Manual 4.326).
- c. Provide discussion and/or documentation, where necessary, to support the opinion of Highest and Best Use. This analysis should contain a full discussion which shows that the opinion of Highest and Best Use meets the criteria of being physically possible, legally permissible, financially feasible, and maximally productive. Attributing interim use value to improvements requires detailed discussion and analysis (Right of Way Manual 4.327). A long term interim use estimation raises the risk that the appraiser’s Highest and Best Use conclusion is remote and speculative. Avoid any speculative Highest and Best use determination unless directed. Highest and Best use should not be speculative but how a prudent buyer-investor would utilize the property to produce the greatest amount of value or return.
- d. d. Where there is more than one Highest and Best Use for the property based on split zoning, different soil types, etc., explain fully. Show the breakdown on a sketch map.

Sketches:

- a. Sketches are necessary to adequately understand the property layout. Prints of Right of Way maps are often inadequate. In every instance show the essential details of the entire property and the location of the Right of Way to be acquired.
- b. Sketches are to show the location of improvements and access.
- c. Sketches of the improvements are to contain accurate dimensions. A floor plan is required for all buildings taken or damaged.
- d. Segregate farmland by use and type.
- e. Urban and commercial lands are to be segregated by use, zone, and/or highest and best use.

APPRAISAL OF THE SUBJECT PROPERTY

18. Valuation of the land before the taking :

19. Explain adjustments and relate comparable land sales data to subject:

Valuation of the land before the taking:

The appraiser is to utilize the Sale Comparison Approach to arrive at a value conclusion for the site before the taking as if vacant and ready for development to its Highest and Best Use. The detailed sales comparison analysis is set out for the reader in Paragraph 19. Paragraph 18 is used as the appraiser's narrative explanation of this process.

Explain Adjustments and Relate Comparable Land Sales Data

Five-Year Sales History of the Subject:

If a sale of the subject has occurred during the past five years which relates to the unimproved land market, verify the sale with the buyer and/or seller and include an Unimproved Comparable Sale sheet with the appraisal report. Every attempt should be made to verify the details of the subject property sale with the parties involved to determine the terms and validity of that sale. The subject sale should be discussed and reconciled to the current opinion of market value.

The appraiser must express an opinion as to whether this sale of the subject property is, after making adjustments for time and other conditions, indicative of market value for the property as of the date of value. If it is indicative of market value, the adjustments should be shown and explained in this paragraph. The sale should be the first sale listed in the sales analysis of the appraisal.

Of equal importance, if the appraiser concludes that the sale of the subject property is NOT indicative of today's market value, a detailed explanation is needed. It is insufficient to simply write "does not apply" or a similar expression. A clear understanding of whether or not a recent sale of the subject property is usable in valuing the property is essential to the agency in explaining its offer of Just Compensation to the property owner.

Other Comparable Sales:

The appraiser is to locate sales of properties that are comparable to the subject property. The appraiser should include a statement identifying the scope of the research done to locate these comparable sales. The details of each comparable sale are to be verified by the appraiser with the buyer and/or the seller involved in the transaction. If neither party can be contacted, the appraiser can verify the sale with the realtor who was involved in the transaction. Verification with someone in the realty office who was not involved in the transaction is not acceptable. Neither is it acceptable to "verify" a sale through the multiple listings, County Recorder's records, etc. Verification with the parties involved is necessary to determine whether the details the appraiser obtains regarding the sale are valid and whether the sale was an arm's length transaction. If the sale cannot be verified with an involved party, it can still be referenced as additional support in the appraisal, but the appraiser should not give it any weight in the final value conclusion.

The appraiser analyzes each verified comparable sale and compares it TO the subject property. Needed adjustments are determined and applied to the sales. The analysis is detailed in this portion of the appraisal report.

Perhaps more important than the method of adjustment selected is the sequence in which the individual adjustments are applied. Certain adjustments which reflect factors other than actual difference between the subject property and the comparable property should be applied first and preferably in the following order:

1. Adjustment for property rights conveyed with the comparable property.
2. Adjustment for non-typical financing terms (cash equivalency)

3. Conditions of Sale (Special motivation of Buyer or Seller)
4. Market Conditions (Time)

After these four factors have been considered and adjusted for, or shown to be not applicable, other adjustments related to the difference between subject and the comparable may be made, such as, location, size, age, etc.

Any other special market characteristics which affect bare land value need to be fully explained in this section. Comparability must be related to the conclusion of the Highest and Best Use.

To the extent possible, significant adjustments must be supported by some approved type of market documentation such as paired data sets.

Each comparable sale must be compared to the subject characteristics and an Indicated Value of the Subject provided.

The State's policy on entire taking appraisals may allow the land allocation to be set by previous market studies and knowledge of land sales in the area. If the cost approach is not going to be used and land value is for allocation purposes only, paragraphs 18, 19, 20, and 21 can be deleted. In this case state within the report that the land value is for allocation purposes.

NOTE: Lump sum, undocumented or unexplained adjustments applied to comparable sales are not acceptable. Show all adjustments used to arrive at the indicated value for the subject. It is absolutely essential that the reasoning and factual data behind each adjustment be explained.

Sales Map:

All comparable sales must be properly located on a sales map, showing their relationship to the subject's location. This map, in combination with the sales sheets, must include enough data (landmarks & directions) to allow the reader - including the Appraisal Reviewer - to physically locate the sales. The sales map is to be included in the appraisal report.

20. Summary of Comparable Sales Analysis:

Summary of Comparable Sales Analysis:

A review of the sales comparison data is to be placed in this paragraph. The reliability and comparability of the data is to be explained and a reconciliation of the various indicated values is to be made. A final unit land value conclusion is to be determined and identified. Averaging the individual comparable sales value indicators to arrive at the final value conclusion is not permitted. Properties having areas with different Highest and Best Uses may require separate unit land value conclusions for each Highest and Best Use. Concluding a range of values for a single land classification - or Highest and Best Use - is not appropriate unless the specific appraisal assignment so requires.

| 21. Summary of Land Value: | | | | | |
|-----------------------------------|------|-----------------------|----|------------|-----------|
| Land Classification | Area | | | Unit Price | |
| 1. | | (AC) (SQ. FT.) | AT | \$ | \$ |
| 2. | | (AC) (SQ. FT.) | AT | \$ | \$ |
| 3. | | (AC) (SQ. FT.) | AT | \$ | \$ |
| 4. | | (AC) (SQ. FT.) | AT | \$ | \$ |
| 5. | | (AC) (SQ. FT.) | AT | \$ | \$ |
| 6. | | (AC) (SQ. FT.) | AT | \$ | \$ |
| | | Total for Land | | | \$ |

Summary of Land Value:

Land must be broken down into its various classifications when there are various types of land to be considered. (e.g. single-family residential; multi-family residential; commercial; etc.)

Note: if the Highest and Best Use varies on the subject your sketch must show these various differences and indicate the separate areas of land classification.

22. Valuation of the Entire Property by the Sales Comparison Approach.

23. Compare Five Year Sales History of Subject as Improved to Present Value.

The Sales Comparison Approach should always be used to value an improved property in eminent domain appraising if comparable market data exists. This approach to value is typically given the most weight in the final reconciliation of the approaches and the final value determination when adequate market data is available.

Five Year Sales History of the Subject as Improved:

If a sale of the subject as improved has occurred during the past five years, verify the sale with the buyer and/or seller and include it on an Improved Comparable Sale sheet with the appraisal report. Discuss the sale in Paragraph 23. State whether or not the sale is reflective of current market value for the subject.

24. Explain adjustments and relate comparable improved sales data to subject

If a sale of the subject is indicative of market value, the sale should be the first sale listed in the sales analysis in Paragraph 24. Any adjustments made to this sale should be shown and explained in this paragraph as with all the comparable sales that are used.

Of equal importance, if the appraiser concludes that the sale of the subject property is NOT indicative of today's market value, a detailed explanation is needed. It is insufficient to simply write "does not apply" or a similar expression. A clear understanding of whether or not a recent sale of the subject property is usable in valuing the property is essential to the agency in explaining its offer of Just Compensation to the property owner.

The Comparison Process:

In comparing sales to the subject, the following features, plus any additional pertinent information, must be considered:

- a. Date of construction.
- b. Date of the sale.
- c. Land area.
- d. Quality of the sale as related to market --this includes motives, the amount of the initial payment, type of instrument, terms, etc.
- e. Size and quality/condition of improvements.
- f. Types and number of rooms and their relative utility or use.
- g. Depreciation and deferred maintenance.
- h. Desirability. Take into consideration neighborhood, style and functionality, etc.
- i. Remodeling of sales property since purchase.
- j. Type of heating system.

Columnar, comparative charts are excellent tools to guide appraisers to their value conclusions. All adjustments should be shown by narrative or grid comparing sales to subject. Whenever possible the sales search should have one sale expressing the upper limits of value and one expressing the lower limits of value, along with several in between that are more indicative of market value. This will tend to bracket the subject into its proper value position and remove doubts concerning comparability.

As stated under paragraph 19, the sequence of adjustments is important and should be applied as set out under that paragraph.

Lump Sum, undocumented or unexplained adjustments applied to comparable sales are not acceptable. Show all adjustments used to arrive at the indicated value for subject. It is absolutely essential the reasoning and factual data behind each adjustment be discussed.

Sales Map:

All comparable sales must be properly located on a sales map, showing their relationship to the subject property. This is a requirement for all sales used under paragraphs 19, 24, 39, & 43 plus any other sales or properties used to document adjustments or valuation approaches such as rental comparables.

25. Summary of Comparable Sales Analysis:**Summary:**

Write a narrative summary that will call attention to the items compared noting the similarities and differences between sales and the subject property. The appraiser needs to explain the reliability, comparability, and adequacy of the data presented in Paragraph 24. Draw a single conclusion, reconciling the various indicated values relying on the most comparable sales. Averaging the individual comparable sales indications to arrive at the final value conclusion is not permitted.

26. Conclusion of Fair Market Value of the Entire Property by the Sales Comparison Approach. \$

State your final estimate of the improved site value by the Sales Comparison Approach.

27. Valuation of the Entire Property by the Cost Approach

- ☐ I will use a cost approach. See the attached sheet.
☐ I will not use a cost approach.

Explain:

Note: As stated in the Oregon Department of Transportation Right of Way Manual (4.355): “*when adequate market sales data are available to reliably support the market value for the appraisal problem, the sales comparison approach is the only approach that is required.*” This is unique to eminent domain appraising. Consultant appraisers working for Oregon Department of Transportation can cite the Jurisdictional Exception provision in USPAP in these instances. In addition, the cost approach should not be used when improvements are old and suffer from significant depreciation and/or obsolescence.

Valuation of the Entire Property by the Cost Approach:

Indicate in the appropriate space whether you will use the cost approach to value the subject property. If the cost approach is not used, explain why. Delete paragraphs 28, 29, 30 & 31 if the cost approach is not to be used.

28. Support of Cost Approach:

Support of Cost Approach:

Document your source information as follows:

- a. If the improvements are new, use the actual contractor's costs if known for when the improvements were built, or what another reliable contractor would charge to build the improvements.
- b. Cost data from recent comparable construction.
- c. A formal estimate of cost prepared by a contractor.
- d. Reliable cost factor services. State the name and date of the cost factor book plus the section and the page used. The appraiser is to state the values used from the book and all calculations used in order to arrive at the final unit value so that the reader can attain the same results.

29. Explanation of Depreciation:

Explanation of Depreciation:

Indicate the existence of total accrued depreciation:

- a. Physical depreciation.
- b. Functional obsolescence.
- c. External obsolescence (a.k.a. Economic Obsolescence)

A full explanation of each type of depreciation is required. Evidence of depreciation should be established by sales or rental data, if possible. The Straight Line Method and published depreciation tables are considered poor substitutes for market data.

30. Improvements (Based upon depreciated cost New:

Reproduction ☐ Replacement ☐

| | | Area | Per Sq Ft | Cost New | Depreciated | | |
|----------------------------|--|------|-----------|----------|-------------|--|--|
| 1. | | At | | \$ | \$ | | |
| 2. | | At | | \$ | \$ | | |
| 3. | | At | | \$ | \$ | | |
| 4. | | At | | \$ | \$ | | |
| 5. | | At | | \$ | \$ | | |
| 6. | | At | | \$ | \$ | | |
| Total for improvements: \$ | | | | | | | |

Improvements:

The table in Paragraph 30 is a summary statement of the cost figures computed by the appraiser. A full explanation of the cost data is to be presented in Paragraph 28.

Always indicate whether you used replacement cost or reproduction cost by marking the appropriate box in the above Paragraph 30.

Each improvement is to be listed separately with overall dimensions and actual square footage shown, along with the square foot unit value used for cost new. The cost new and the depreciated cost are to be listed for each improvement in the appropriate column.

Minor improvements, such as landscaping, should be valued based upon what they contribute to the entire property. Simply using the replacement cost of the landscaping is not appropriate unless the appraiser's analysis concludes that the contributory value equals the replacement cost. If this is the case, the appraiser should state that analysis conclusion in this paragraph.

31. Conclusion of Fair Market Value of Entire Property by the Cost Approach:

| | |
|---------------------|----|
| Land (from par. 21) | \$ |
| Improvements | \$ |
| Total | |

Conclusion:

Total the values for the land and property improvements as estimated by the cost approach. Use the land value concluded in Paragraph 20 and summarized in 21.

32. Valuation of the Entire Property by Income Approach:

- ☐ I will use the income approach. See the attached sheet.
☐ I will not use the income approach.

Explanation:

32a. Conclusion of Fair Market Value of Entire Property by the Income Approach:

| | |
|--------------|----|
| Land | \$ |
| Improvements | \$ |
| Total | |

Note: As stated in the Oregon Department of Transportation Right of Way Manual (4.355): “when adequate market sales data are available to reliably support the market value for the appraisal problem, the sales comparison approach is the only approach that is required.” This is unique to eminent domain appraising. Consultant appraisers working for Oregon Department of Transportation can cite the Jurisdictional Exception provision in USPAP in these instances.

Valuation of the Entire Property by Income Approach:

Indicate in the appropriate space whether you will use the income approach to value the subject property. If the income approach is not used, explain why and delete Paragraph 32a.

If the income approach is considered applicable, then the documentation and analysis of the data is to be included within this paragraph. Sales sheets, operating statements, and other support can be appended to the back of the report in addendum form.

The income approach should be used only for properties which generally are bought and sold as investment or income properties. There are many methods for processing an income stream: Capitalization of Income, Cash Flow Analysis, building residual, land residual, etc. A gross rent multiplier is generally considered a market data approach and should be included as part of the Sales Comparison Approach when it is considered appropriate to the analysis. The methods used should most accurately reflect the market and result in a credible appraisal result.

The income approach used must be carefully and properly applied. Gross income, vacancy rates, operating expenses, capitalization rates, etc. should be based on reliable market data and documented in your report.

Documentation of data should follow basic appraisal principles which include the following:

1. *Gross Income*: Make an effort to have the actual subject rent schedules or an explanation should be included as to why they are not included.
2. *Adjusted Annual Gross Income*: Develop the economic rent and adjusted gross income from typical properties and document by referring to the comparable(s) used. Judgment comments of the appraisers are to be included and fully explained.
3. *Vacancy and Credit Losses*: Document the adjustment and reference the data with market support.
4. *Operating Statement*: Whenever possible show the actual operating statement of the owner. The appraiser shall prepare an adjusted operating statement representative of typical properties. Do not lump a large number of costs into a "miscellaneous" group. Costs other than fixed costs should be complete, set out in detail and reserves included for items such as furnace, roof, carpeting, etc. that, because of their shorter life expectancy, require periodical replacement. When using the owner's statement be alert for items that are normally improper to include and omit such items (e.g. income taxes, going concern, good will, business name, -etc) and provide a full explanation of the adjustments made for accuracy and consistency.

5. *Capitalization Rates*: Direct capitalization converts one year's income into a value indication. The types of rates include the overall capitalization rate, the mortgage capitalization rate, the equity capitalization rate, and the building or land capitalization rates. Other approaches to capitalization include the band-of-investment technique. Regardless of the technique, obtaining rates from the market requires highly comparable data. Market data showing historical rates should be analyzed for changes in interest rates, inflation, tax laws, etc. Carefully verify and document the rates used. This figure has a multiplier effect and magnifies any errors in the process. Never assume a "reasonable" return to investment. In many markets, tax shelter considerations have created negative cash flows. These show very low capitalization rates and without careful investigation it would seem that the properties are grossly overpriced, based on their cash flow. Again, the market dictates the data used and the characteristics which influence the income stream.

Conclusion of the fair market value by the income approach:

Total the values of the land and improvements of the improved property estimated by the income approach. Allocate value between the land and improvement components based upon the land value conclusion reached in Paragraph 20 and summarized in 21.

33. Summary of Separate Approaches to Arrive at Fair Market Value – Entire Property

| | |
|------------------|----|
| Sales Comparison | \$ |
| Cost | \$ |
| Income | \$ |

Explain correlation: **UPDATE APPRAISAL FORMS FOR SALES COMPARISON**

Explain Summary of Approached used to Support the Market Value Opinion:

The Sales comparison approach is typically given the most weight in the final reconciliation of the approaches and the final value determination when adequate market data is available. Express other considerations that influenced your final conclusion of value.

34. Final Conclusion of Value of the Entire Property \$

Final Conclusion of Value of the Entire Property:

The final conclusion of value as developed under the above reconciliation is placed here.

35. Detailed Description of the Taking

Detailed Description of the Taking:

Enumerate and describe everything in the taking area --land, buildings, wells, fences, signs, shrubs, etc. Describe takings of buildings or other appurtenances. Explain extent of access taken, the affect of easements on utility of use, etc. The taking should be

described as to shape, dimensions, location in relation to the entire property, and other details which affect value.

36. Valuation of Improvements Within the Taking:

Valuation of Improvements Within the Taking:

Improvements will have value to the extent that they contribute to the value of the overall subject property.

37. Detailed Description of the Remainder Property

Detailed Description of the Remainder Property:

Paragraph 17 of the appraisal report focused on a description of the larger parcel as it exists on the date of valuation - before the highway project has been built. Paragraph 37 requires a description of that portion of the larger parcel that will remain after acquisition of the right of way parcels - both fee takings and easements - and after the highway project has been built. The appraiser must assume that the highway improvement has been completed according to the construction plans and is in operation as of the valuation date. The same components of the property are to be discussed regarding the remainder property as were discussed in Paragraph 17: Zoning; Utilities; Access; Physical characteristics of the Site; remaining Improvements; and Highest and Best Use. Also similar to Paragraph 17, site sketches of the remainder property should be included in the appraisal. Refer back to the discussion of Paragraph 17.

Required Detail in Describing the Remainder Property:

The appraisal format to some extent determines the detail required in describing the remainder property. A Before and After appraisal report is in effect two appraisals: the appraisal of the property before the takings and the appraisal of the remainder property after the takings. Since the report requires a separate appraisal of the remainder property, the detail required for the description of the remainder will in general be greater in a Before and After report than in a Taking and Damages report.

In either format, however, if the takings result in a significant change in any components of the property, that change should be discussed in detail in Paragraph 37. Components that are changed by the takings should be completely re-described to reflect the After situation. Components that are not changed will typically not require as detailed of a description in the After situation. The goal of a good appraisal is to lead the reader to the same conclusions as the appraiser. This requires sufficient clarity in the description of the remainder property to allow the reader to understand the appraiser's analysis and conclusions regarding damages and Special benefits.

Note: Of particular importance is any change in the Highest and Best Use of the remainder property because of the highway improvement. The Highest and Best Use of the remainder property always needs careful and detailed description and analysis.

Appraisal of the Subject Property After Taking

38. Estimate of Remainder Land Value:

39. Explain Adjustments and Relate Comparable Land Sales Data to Subject Remainder:

Estimate of Remainder Land Value

The appraiser is to utilize the Sale Comparison Approach to arrive at a value conclusion for the site after the taking as if vacant and ready for development to its Highest and Best Use. The appraisal of the After value for the subject property shall be supported to the same extent as the appraisal of the Before value. This support may include one or more of the following:

- a. Sales comparable to the remainder properties.
- b. Sales of comparable properties from which there have been similar acquisitions or takings for like usages.
- c. Development of the income approach on properties which show economic loss or gain as a result of similar acquisitions or takings for like usages.
- d. Indications from severance damage studies as related to similar takings.
- e. Public sales of comparable lands by the State or other public agencies. Since these are not arm's length transactions, they can be used only to give added support for a value conclusion.
- f. In the event the data described in a - e above are not available, the appraisal shall so state and then detail the appraiser's reasoning to support the concluded estimate of value.

Explain Adjustments and Relate Comparable Land Sales Data to Subject Remainder:

The Highest and Best Use analysis of the remainder land is the key to its appraisal. It is always desirable to find new sales that require less adjustment and yet are typical of the market. New sales are mandatory if there has been a change in Highest and Best Use of the property because of the takings. These sales must conform to the Highest and Best Use of the remainder property if they are to be supportive of the value conclusion. Sales of other remainder properties that have comparable use are preferred. Documentation, support, and explanation of adjustments must meet the same requirements as described in Paragraphs 19 & 24.

40. Summary of Comparable Sales Analysis:

A review of the sales comparison data is to be placed in this paragraph. The reliability and comparability of the data is to be explained and a reconciliation of the various indicated values is to be made. A final unit land value conclusion is to be determined and identified. Averaging the individual comparable sales value indicators to arrive at the final value conclusion is not permitted. Properties having areas with different Highest

and Best Uses may require separate unit land value conclusions for each Highest and Best Use. Concluding a range of values for a single land classification - or Highest and Best Use - is not appropriate unless the specific appraisal assignment so requires.

| 41. Summary of Remainder Land Value: | | | | | | |
|---|------|--|-----------------|----|------|----|
| Land Classification | Area | | | | Unit | |
| 1. | | | (AC) (SQ.FT) | At | \$ | \$ |
| 2. | | | (AC) (SQ.FT) | At | \$ | \$ |
| 3. | | | (AC) (SQ.FT) | At | \$ | \$ |
| 4. | | | (AC) (SQ.FT) | At | \$ | \$ |
| 5. | | | (AC) (SQ.FT) | At | \$ | \$ |
| 6 | | | (AC) (SQ.FT) | At | \$ | \$ |

Summary of Remainder Land Value:

Land must be broken down to its various classifications when there are various types of land to be considered (uses, zoning, etc.). Those portions of the remainder affected by easements or damages are to be listed and valued separately. Your Remainder site sketch must show these various differences and indicate the separate areas of land classification.

42. Valuation of Subject Remainder by Sales Comparison Approach: 43. Explain Adjustments and Relate Improved Comparable Sales Data to Subject Remainder:

Valuation of Subject Remainder by Sales Comparison Approach

Once the Remainder land value is established, the appraiser proceeds in this and the following Paragraphs to establish a value estimate for the Remainder property as improved, starting with the Sales Comparison Approach.

Adjusting and Relating Sales Data to Subject Remainder:

Use the following outline:

- If there is a new Highest and Best Use, then new sales must be used that are of comparable use.
- Sales of remainder properties from former right of way acquisition should be used when possible.

- c. If available, Land Economic Studies of interchanges and other applicable situations must be used.
- d. If there is no change in Highest and Best Use, a re-evaluation using applicable sales that are more comparable to the remainder property is necessary.

Compare all sales to the subject property as outlined in paragraph 24.

Consider "sale of subject", if applicable, as in paragraph 24.

44. Summary of Comparable Sales Analysis:

Summary of Comparable Sales Analysis:

In Paragraph 44, write a narrative summary that will call attention to the items compared noting the similarities and differences between sales and the subject property. The appraiser needs to explain the reliability, comparability, and adequacy of the data presented in Paragraph 43. Draw a single conclusion, reconciling the various indicated values relying on the most comparable sales. Averaging the individual comparable sales indications to arrive at the final value conclusion is not permitted.

45. Conclusion of Fair Market Value of the Subject Remainder by Sales Comparison Approach

\$

Conclusion:

State your estimate of the improved remainder site value by the Sales Comparison Approach in Paragraph 45.

46. Valuation of Subject Remainder by Cost Approach:

- ☐ I will use a cost approach. See the attached sheet.
- ☐ I will not use a cost approach.

Explanation:

Note: As stated in the Oregon Department of Transportation Right of Way Manual (4.355): "when adequate market sales data are available to reliably support the market value for the appraisal problem, the sales comparison approach is the only approach that is required." This is unique to eminent domain appraising. Consultant appraisers working for Oregon Department of Transportation can cite the Jurisdictional Exception provision in USPAP in these instances. In addition, the cost approach should not be used when improvements are old and suffer from significant depreciation and/or obsolescence

Valuation of the Subject Remainder by the Cost Approach:

Indicate in the appropriate space whether you will use the cost approach to value the subject remainder. If the cost approach is not used, explain why. Delete paragraphs 47, 48, 49 & 50 if the cost approach is not to be used in this paragraph.

47. Support of Cost Approach:

Support of Cost Approach:

Document your source information in the same manner as in paragraph 28 if the factors affecting the cost information have changed. If estimates have not changed in the After situation then reference to the data used in the Before is sufficient.

48. Explanation of Depreciation:

Explanation of Depreciation:

A full explanation of each form of depreciation is required. Reference to paragraph 29, if applicable is sufficient. If the remainder improvements have suffered further functional obsolescence due to the taking, this must be documented in this Paragraph. Evidence of depreciation by sales or rental data is preferred over simply the appraiser's "judgment and experience".

49. Improvements:

Based upon depreciated cost New: Reproduction ☐ Replacement ☐

| | | | | | | | |
|----|--|--|----|--|----|----|--|
| 1. | | | At | | \$ | \$ | |
| 2. | | | At | | \$ | \$ | |
| 3. | | | At | | \$ | \$ | |
| 4. | | | At | | \$ | \$ | |
| 5. | | | At | | \$ | \$ | |
| 6. | | | At | | \$ | \$ | |

Improvements:

This is a summary statement of the cost figures computed by the appraiser. A full explanation of the cost data is to be presented in paragraph 47.

Always indicate whether you used replacement or reproduction by marking the appropriate box in the above paragraph.

Each improvement is to be listed separately with overall dimensions and actual square footage shown, along with the square foot unit value applied for cost new. The cost new and the depreciated cost are to be listed for each improvement in the appropriate column.

Minor improvements, such as landscaping, should be valued based upon what they contribute to the entire property. Simply using the replacement cost of the landscaping is not appropriate unless the appraiser's analysis concludes that the contributory value equals the replacement cost. If this is the case, the appraiser should state that analysis conclusion in this paragraph.

50. Conclusion of Fair Market Value of Subject Remainder by the Cost Approach:

| | |
|---------------------|----|
| Land (from par. 41) | \$ |
| Improvements | \$ |
| Total | \$ |

Conclusion:

Total the values of the land and improvements of the remainder property estimated by the cost approach. Use the land value concluded in Paragraph 40 and summarized in 41.

51. Valuation of the Subject Remainder by Income Approach:

- ☐ I will use the income approach. See the attached sheet.
☐ I will not use the income approach.

Explanation:

51a. Conclusion of Fair Market Value of Subject Remainder by the Income Approach:

| | |
|--------------|----|
| Land | \$ |
| Improvements | \$ |
| Total | \$ |

Note: As stated in the Oregon Department of Transportation Right of Way Manual (4.355): “when adequate market sales data are available to reliably support the market value for the appraisal problem, the sales comparison approach is the only approach that is required.” This is unique to eminent domain appraising. Consultant appraisers working for OREGON DEPARTMENT OF TRANSPORTATION can cite the Jurisdictional Exception provision in USPAP in these instances.

Valuation of Subject Remainder by Income Approach:

Indicate in the appropriate space whether you will use the income approach to value the subject remainder. If the income approach is not used, explain why and delete Paragraphs 51a.

If the Income Approach is considered applicable then the documentation and analysis of the data is to be included within this paragraph. The appraiser is expected to meet the same standards of reporting the documentation as is required in the valuation of the entire property in the Before situation. (Refer to Paragraphs 32 and 32a in the Guide)

Compensable Damages and Special Benefits

52. Explanation of Loss of Value to the Remainder Property:

Explanation of Loss of Value to the Remainder Property:

If there is a loss of value (damage) to the remainder this is the only place in the report to make a complete explanation of the causes of the damage. Carefully and completely present the details. In many cases you should also explain your conclusion that there are no damages to the remainder. An example would be where access control is taken and no compensation is indicated (see discussion on Access). Explain the reasoning and facts which led to the conclusion. The question of no damages for an item can be controversial and requires careful explanation and/or documentation. If additional photos and sketches will help, do not hesitate to submit them. Your sketch must make a graphic exhibit to assist in clarifying your basis for damages.

There are two types of damages, curable and incurable. Incurable damages are those losses in value to the remainder which cannot be cured in some way (e.g. loss of parking which cannot be replaced). Curable damages are those damages which can be mitigated or eliminated by physical modifications to the remainder (e.g. replace the septic system). The cost-to-cure is the monetary amount required to make all the necessary modifications. **A cost-to-cure can only be used to offset greater compensable damages.** The Oregon Department of Transportation Right of Way Manual also addresses cost-to-cure in section 4.445. Section

The appraiser should be aware that there are some types of economic damages that are by law non-compensable under eminent domain. “Non-compensable” means that, although there may be a decrease in value to the remainder property due to certain specific factors related to the highway project, which decrease in value cannot be compensated for under Just Compensation. Refer to 4.450 in the Oregon Department of Transportation Right of Way Manual for a listing of some non-compensable damages. Also, refer to 4.480 regarding non-compensable acquisition of access rights.

It is especially important to be aware of the distinction between compensable and non-compensable damages when using the Before and After Appraisal format. The Before and After Appraisal, if done properly, will capture both compensable and non-compensable damages in the difference between the Before and the After values. The appraiser is required to segregate out the non-compensable damages and identify them separately from the compensable damages in Paragraph 52. The value of non-compensable damages should not be included in the appraiser’s final value conclusion. This requirement makes it essential that the appraiser have a clear understanding of what is and isn’t non-compensable. If uncertain as to which category particular damages belong, the appraiser should get clear direction from the Right of Way Project Manager or the Appraisal Reviewer before completing the appraisal. If the appraisal is being done for condemnation trial purposes, the Department of Justice Trial Attorney should be asked for direction.

It is not the task nor the responsibility of the appraiser to debate with the agency over what should be compensable. That determination is the responsibility of the agency in complying with state and federal laws. It is the agency that will defend its offer of just compensation with the property owner and, if necessary, in a condemnation trial. The professional integrity of the appraiser is not at risk, since the agency's directions to the appraiser to treat a particular damage item as non-compensable can and should be included in the appraiser's limiting assumptions.

53. Explanation of Increase of Value to the Remainder Property:

Explanation of Increase of Value to the Remainder Property:

If there is a gain of value for the remainder property as a result of the project (benefit), the analysis and discussion should be done in Paragraph 53 of the report. There are two categories of benefits: General benefits, and Special benefits. Special benefits may be used to offset the loss in value from a compensable damage; General benefits may not be used to offset damages. Like compensable and non-compensable damages, both categories of benefits would be captured when using the Before and After Appraisal format. So, it is essential that the appraiser understands the distinction between the two categories.

In brief, General benefits from a project affect the project neighborhood or community at large. Special benefits from a project apply to an individual remainder property based upon its special relationship to the project. Special benefits do not typically apply to the neighborhood or to properties that do not abut the project. Refer to 4.455, 4.460 and 4.465 in the Oregon Department of Transportation Right of Way Manual for more information on how to handle benefits. If there is uncertainty as to which category a measured benefit falls under, get direction from the Right of Way Project Manager or the Appraisal Reviewer. If the appraisal report is prepared for condemnation trial purposes and it is unclear, direction for Department of Justice Trial Attorney on what category the benefit will be considered may be necessary.

54. Cost to Cure Alternates: The following items of damage or taking can be reduced if cost to cure procedures can be applied:

| | Damage Item | Damage Not Using Cost to Cure | | Cost to Cure | | Damage, if any after cost to cure |
|--------------|-------------|-------------------------------|--|--------------|--|-----------------------------------|
| 1. | | \$ | | \$ | | \$ |
| 2. | | \$ | | \$ | | \$ |
| 3. | | \$ | | \$ | | \$ |
| Explanation: | | | | | | |

Cost-to-Cure Alternates:

Show a cost-to-cure with an adequately supported estimate. When a contractor's estimate is needed for proper documentation supply a written copy in the addendum of the report. Identify the contractor who provided the estimate. Be descriptive in explaining the application of any cost-to-cure and the damages that are mitigated. The damage being offset should not be measured by its cost-to-cure. The offset damage amount must be equal to or greater than the cost-to-cure in order for the cost-to-cure to be feasible. If a cost-to-cure is not feasible, then the amount of the compensable damages is included in the final appraisal value.

55. Correlation of Separate Approaches to Arrive at Fair Market Value –Subject Remainder

| | |
|-------------|----|
| Market Data | \$ |
| Cost | \$ |
| Income | \$ |

Explain correlation:

Explain Correlation:

The Sales comparison approach is typically given the most weight in the final reconciliation of the approaches and the final value determination when adequate market data is available. Express other considerations that influenced your final conclusion of value.

56. Final Conclusion of Value of the Subject Remainder**\$****Final Conclusion of Value of the Subject Remainder:**

The final conclusion of value as developed under the above correlation is placed here.

ALLOCATION SHEET
TOTAL VALUE OF THE TAKING IS ALLOCATED AS FOLLOWS:

Allocation Sheet:

Show the total value placed on the taking, detailing the breakdown of land values, improvement values, damages and Special benefits. For an entire taking, this value should total (or be rounded to) the value of the entire Larger Parcel.

| 57. LAND: | | | | |
|------------------------|---------------------|------|------------|----|
| | LAND CLASSIFICATION | AREA | UNIT PRICE | |
| 1. | | | @ | \$ |
| 2. | | | @ | \$ |
| 3. | | | @ | \$ |
| 4. | | | @ | \$ |
| 5. | | | @ | \$ |
| 6. | | | @ | \$ |
| TOTAL FOR LAND: | | | | \$ |

Land:

The various classifications of land must be broken down in the allocation. Generally the allocation will be by the different parcels being acquired (e.g. Parcel 1 -Fee, Parcel 2 - Temp. Ease.). Total the allocation for land on the appropriate line. This total is to be reported in the allocation on summary page 1 of the report under “Land”.

| | | |
|------------------------------------|--|----|
| 58. IMPROVEMENTS IN TAKING: | | |
| 1. | | \$ |
| 2. | | \$ |
| 3. | | \$ |
| 4. | | \$ |
| 5. | | \$ |
| 6. | | \$ |

Improvements:

List all the improvements in the taking and the values concluded in the body of the report. This is totaled and is to be reported in the allocation on summary page 1 of the report under “Improvements”.

59. VALUE OF TAKE (Land and Improvements)**Value of Take:**

Add the value of the land to the value of the improvements.

60. DAMAGES TO REMAINDER: (Land and Improvements)**INCURABLE:**

| | | | |
|---------------------------------|--|----|--|
| 1. | | \$ | |
| 2. | | \$ | |
| 3. | | \$ | |
| TOTAL INCURABLE DAMAGES: | | \$ | |

CURABLE (Cost to Cure Estimates):

| | | | |
|--|--|----|--|
| 1. | | \$ | |
| 2. | | \$ | |
| 3. | | \$ | |
| TOTAL COST TO CURE: | | \$ | |
| TOTAL DAMAGES TO REMAINDER (Curable Plus Incurable) | | \$ | |

Damages to Remainder:

The damages to the remainder are classed as either incurable or curable. There are instances where both types of damages are present. List the incurable damages first; these are the damages where the reduction in value to the remainder cannot be cured (e.g. loss of parking which cannot be-replaced), or the cost-to-cure estimate is greater than the loss to the property. A full explanation of the causes of the damages is to be set out in paragraph 52. Curable damages are those damages where some avenue to mitigate or remove the loss in value is available and is less than the damage incurred. The explanation of the cause of the damage, the actual damage incurred, and the cost-to-cure estimate is to be set out in paragraph 54. The total damages are a combination of the incurable and curable damages. This total is recorded in the allocation on summary page 1 of the report under “Damages”.

Note: Non-compensable damages, discussed under the Paragraph 52 instructions of the Guide, are not to be included in Paragraph 60 of the Allocation page. They are not a part of Just Compensation. They should, however, be identified, discussed and segregated out along with their values in the narrative under Paragraph 52.

61. SPECIAL BENEFITS:**\$****Special Benefits:**

The Special benefits to the remainder property as determined in paragraph 53 are to be set out in this space. This total is recorded in the allocation on summary page 1 of the report under “Special Benefits”. Special benefits can only be applied to offset damages to the remainder; they cannot offset the compensation for the taking.

(Note:) **General benefits** discussed under the Paragraph 53 instructions of the Guide, are not to be included on the Allocation page. They should be identified, discussed and segregated out in the narrative under Paragraph 53.

| | |
|---|----|
| 62. NET DAMAGES: (Total Damages Minus Special Benefits | \$ |
|---|----|

Net Damages:

The mathematical computation of subtracting the Special benefits from the total damages provides the net damages the remainder property has incurred. This figure cannot be less than zero since the Special benefits can only offset damages.

| | |
|-------------------------------|----|
| 63. FAIR MARKET VALUE: | \$ |
|-------------------------------|----|

Fair Market Value:

This is the total value for the taking and damages, if any, which the appraiser has estimated. It is the total of land, improvements and net damages. After the figures have been totaled then the figure may be rounded using the system of significant figures.

| | | |
|-------------------------------|------------------------------|----------|
| 64. FENCING ALLOWANCE: | _____ L.F. @ \$ _____/L.F. = | \$ _____ |
|-------------------------------|------------------------------|----------|

Fencing Allowance:

Where a fencing allowance is to be used, directions will be given to the appraiser by the Project RW Manager. When a fencing allowance is used (such as in situations involving livestock), the figures are to be inserted here. The depreciated replacement value of any fencing being taken is a part of just compensation and should be included under the Improvements valuation. The difference between the depreciated replacement value and the cost new for livestock fencing is the fencing “allowance”. Although similar to a cost-to-cure, it is legally not a part of just compensation. That is why it is set out separately on the Allocation sheet. The policy dealing with fencing allowances is explained in the Right of Way Manual under section 4.400.

| | |
|---|--|
| 65. HAZARDOUS WASTE INVESTIGATION STATEMENT: | <input type="checkbox"/> Appropriate |
| | <input type="checkbox"/> Not Appropriate |

Hazardous Waste Investigation Statement:

If in the investigation of the subject property and through conversations with the property owner and/or occupant the appraiser is led to believe hazardous materials may be present, the appraiser is instructed to report the findings to the Region RIGHT OF WAY Project Manager and stop all work on the appraisal report until direction is received as to what action is necessary.

Hopefully, questionable properties will already be identified by the region during the project design and development stage and instructions to the appraiser will include results of any specific testing or sampling the agency had done. Any reports provided by the State are to aid the appraiser and do not relieve the appraiser of the responsibility to perform a prudent, diligent and thorough site inspection

Typically, the appraiser is to value property as-is. So if contamination is present, without any other direction given,, the appraiser would value it as dirty. Clear direction on this should be provided in the appraisal assignment or sought from the Region Right of Way Project Manager if the contamination was first identified during the appraisal inspection. The economic impact of the presence of hazardous material should be measured in the market through sales of comparable properties when possible. If a cost-to-cure is considered, it is not appropriate for the appraiser to simply use a cost estimate of what it would take the agency to clean up the site to meet its project needs. Highway project needs are specific to the agency and may not reflect the level of cleanup that is required in the private marketplace. It is market value that the appraiser is charged with estimating, so clean-up requirements and costs should reflect the market. The appraiser should also factor in whether the market would recognize any residual “blight” of the type of property being appraiser following clean up resulting in a lower value. This may require discussions with Department of Environmental Quality.

If the property owner indicates that they will eliminate the hazardous material prior to Oregon Department of Transportation’s purchase, the agency should be told this. If the property owner enters into a signed agreement with the agency showing that the property will be cleaned prior to the sale, the appraiser may then be directed by Oregon Department of Transportation to value the property as if “clean”, ignoring any economic impacts from the existing contamination.

In some instances the appraiser may be asked to produce both an as-is (“Dirty”) value and a clean value. The Region Right of Way Project Manager, in consultation with the Appraisal Reviewer should provide clear direction on this to the appraiser.

The following disclaimer statements have been approved by our legal counsel:

I. If there is reason to believe hazardous materials might be present:

"My investigation of subject property and conversations with the property owner and/or occupant leads me to believe that hazardous materials may be present. The evidence leading me to this conclusion is as follows:" (Insert as many paragraphs as needed to describe circumstances.)

"No responsibility is assumed for any condition created by the presence of hazardous materials, or for any expertise or engineering knowledge required to verify or discover the existence of them. You are urged to retain an expert in this field if verification and/or identification are desired."

II. If there is no reason to believe hazardous materials might be present:

"My investigation of subject property and conversations with the property owner and/or occupant reveal no apparent evidence of the presence of present or previous hazardous waste activities. I did not observe during inspection of subject property any materials considered to be hazardous including, but not limited to, asbestos, urea-formaldehyde, or foam insulation. However, I am not qualified to detect such substances. The value estimate contained in this report is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for the expertise required to detect them. You are urged to retain an expert in this field, if desired."

CERTIFICATE OF APPRAISER

Every completed appraisal report must have a signed Certificate of Appraiser attached. An appraiser who is new to Oregon Department of Transportation work must read through the Certificate and understand what it is he or she is signing. The appraiser fills in the date(s) of the appraisal inspection(s). The appraiser then fills in the date of value along with the final rounded value estimate. The date of value is typically the date of the most recent inspection of the property. If the appraisal is being done for Condemnation trial purposes, the date of value will be provided by the Department of Justice attorney as part of the assignment. The appraiser's final value should follow appropriate appraisal protocol regarding rounding. An appraisal value estimate must never imply a degree of accuracy that is unrealistic and beyond the capability of the market. Discuss Oregon Department of Transportation's rounding policy with the Region Right of Way Project Manager or with the project Appraisal Reviewer.

The date line next to the signature line is the date the appraisal report has been completed.