HIGHWAY DIVISION
PROJECT DELIVERY BUREAU
OFFICE OF RIGHT OF WAY

APPRAISAL OPERATIONAL MANUAL

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Although not yet formally adopted into Iowa's administrative rules, the Iowa DOT recognizes the October 1, 2014 effective date for amendments to the Uniform Act pursuant to Section 1521 of the Moving Ahead for Progress in the 21st Century Act (MAP-21). This manual has been updated to reflect this most recent federal guidance.

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This *Appraisal Operational Manual* provides guidance to prepare and review appraisal reports under Iowa eminent domain law.

Chapter 1 The Uniform Act, FIRREA, and USPAP

1.1 Purpose

The purpose of this chapter is to describe the provisions contained in the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (the Uniform Act); Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA); and the Uniform Standards of Professional Appraisal Practice (USPAP). The chapter outlines the scope of work required by these policies and legislation and how they affect the acquisition process. Also described is the purpose and procedure of appraisal review.

1.2 Compliance

In Iowa, certified and associate real property appraisers (general and residential) who provide eminent domain appraisal services are required to comply with the USPAP, the Uniform Act, the Iowa Constitution, statutory and case law, and state administrative law and policy.

1.3 The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act) 42 United States Code (USC) 4601-4655, Implemented at 49 Code of Federal Regulations (CFR) § 24.103

The federal Uniform Act applies to all programs or projects that are undertaken by federal agencies or with federal financial assistance and which require the acquisition of real property or which cause the displacement of any person.

The state of Iowa has codified the Uniform Act so that the federal Uniform Act procedural standards for eminent domain appraisals are also the state of Iowa's procedural standards. It references the federal Uniform Act of 1970, as amended, which is also known as Public Law 91-646, as implemented in 49 CFR 24(B)—Real Property Acquisition.

Chapter 543D of the Iowa Code (IC), "Real Estate Appraisals and Appraisers," applies to general commercial market USPAP appraisals and to Iowa eminent domain appraisals, all of which must comply with the appraisal standards contained in the Iowa Constitution, statutes, judicial (case) law, and this manual.

- Only those eminent domain appraisals which comply with Iowa eminent domain law and this manual may be approved by a review appraiser.
- Appraisers are responsible for identifying and complying with required Iowa eminent domain appraisal standards in the performance of an eminent domain appraisal or an appraisal review.

The purpose of the Uniform Act, as amended, is "To ensure that owners of real property to be acquired for Federal and federally-assisted projects are treated fairly and consistently, to encourage and expedite acquisitions by agreement with such owners, to minimize litigation and relieve congestion in the courts, and to promote public confidence in Federal and federally-assisted land acquisition programs."

Basis:

49 CFR § 24.1(a).

Shortly after the Uniform Act became law, the *Uniform Appraisal Standards for Federal Land Acquisitions* (yellow book) was developed by the Department of Justice to establish appraisal standards for federal eminent domain acquisitions only.

Criteria for appraisals in the Uniform Act regulation had not been changed since the Appraisal Foundation published the USPAP. Confusion and misunderstanding as to the applicability of USPAP provisions to Uniform Act real property acquisitions have existed ever since the USPAP was published.

Amendments to the Uniform Act, effective January 4, 2005, are intended to assist the appraiser in understanding Uniform Act requirements in light of USPAP. Terminology throughout the section was changed from "standards" to "requirements" to avoid confusion with USPAP standards rules.

The type of appraisal practice identified in this section is clearly stated to be for "federal and federally-assisted programs" to differentiate it from USPAP's focus on the private sector, especially mortgage lending and appraisal practice.

Uniform Act regulations are written to reflect the need for a wide range of appraisal standards for federally funded eminent domain appraisals to which USPAP appraisal standards may not be applicable.

For all Iowa eminent domain appraisals, the mandatory appraisal requirements are:

- The Iowa Constitution, Article I, § 18;
- IC 6A, IC 6B, and IC 316, as well as other eminent domain statutes;
- The Iowa Supreme Court interpretations of Iowa Constitution and eminent domain statutes;
- 761 Iowa Administrative Code (IAC) 111; and
- The Federal Uniform Act and Regulations, 49 CFR 24.

Guidance can be found at:

- The Iowa Department of Transportation (Iowa DOT) *Appraisal Operational Manual;*
- The Federal Highway Administration (FHWA) Office of Planning, Environment, and Realty website: http://www.fhwa.dot.gov/real_estate/;
- *Uniform Appraisal Standards for Federal Land Acquisition* (yellow book); and
- USPAP.

1.4 Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Public Law 101-73, 103 Stat. 183 and 511, as enacted August 9, 1989

Title XI requires the establishment of state programs for the licensing and certification of appraisers performing appraisals for federally related transactions under the jurisdiction of federal financial institution regulatory agencies.

"Federally related transaction" means any real estate-related financial transaction which:

- Federal financial institutions, regulatory agencies, or the Resolution Trust Corporation engages in, contracts for, or regulates; and
- Requires the services of an appraiser.

The FIRREA is not, by its terms, directly applicable to the acquisition of real property for federal and federally assisted projects. Regulations implementing the Uniform Act contain appraisal criteria in 49 CFR § 24.103 that are applicable to such acquisitions.

1.5 The Uniform Standards of Professional Appraisal Practice (USPAP)

The Appraisal Standards Board of the Appraisal Foundation adopted USPAP on January 30, 1989. USPAP is the generally accepted and recognized standard for appraisal practice in the United States.

Over the years, USPAP has evolved as a document in content, form, and organizational structure. It is a work in progress and, as such, may be altered, amended, supplemented, etc., in accordance with established procedures.

USPAP requires that Iowa-certified appraisers comply with the federal Uniform Act and Iowa eminent domain statutory law as interpreted by the Iowa Supreme Court; appraisal policies of the state, as implemented by the IAC; and published appraisal standards contained in the *Iowa Department of Transportation Appraisal Operational Manual* (this publication).

USPAP appraisal standards that run contrary to Iowa eminent domain law and policy are void and of no force and effect in an eminent domain appraisal assignment by operation of Iowa law, as stated in the USPAP jurisdictional exception rule.

1.5.1 Assignment Conditions

This manual stipulates certain assignment conditions that the appraiser must follow in order to comply with the provisions of the Uniform Act. These are supplemental to USPAP and do not require invoking the jurisdictional exception rule.

Examples:

- Standards Rule 1-5(b) requires analysis of all sales of the subject property that have occurred within the three years prior to the effective date of the appraisal. Since § 24.103(a)(2)(i) of the Uniform Act requires at least a five-year sales history of the subject property, this is an assignment condition.
- Standards Rule 2-1 states that “each written or oral real property appraisal report must [. . .].” The definition of an appraisal in § 24.2(3) requires “a written statement independently and impartially prepared by a qualified appraiser [. . .].” Oral reports are not acceptable.

The following assignment conditions are not addressed in USPAP:

- Use of Iowa appraisal forms
- Offers of accompaniment
- Photographs of the subject property and comparable sales
- Sketches of each improvement to be acquired

- Floor plan sketches for residential or commercial and industrial buildings
- The statutory requirement to pay the cost of future maintenance of extended driveways at the rate of twenty dollars per lineal foot
- Agricultural fence that is paid administratively and is not considered in the appraisal

1.5.2 Jurisdictional Exception Rule

The 2016–2017 edition of USPAP defines jurisdictional exception as: "[. . .] an assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP."

If any applicable law or regulation precludes compliance with any part of USPAP, only that part of USPAP becomes void for that assignment.

On assignments involving jurisdictional exceptions, the appraiser must:

1. Identify the law or regulation that precludes compliance with USPAP;
2. Comply with that law or regulation;
3. Clearly and conspicuously disclose in the appraisal the part of USPAP that is voided by that law or regulation; and
4. Cite in the report the law or regulation requiring this exception to USPAP compliance.

Example:

> Standards Rule 1-4(f) requires appraisers to analyze the effect, if any, of anticipated public improvements, located on- or off-site, to the extent that market actions reflect such anticipated improvements as of the effective appraisal date.
>
> However, Article 1, § 18 of the Iowa Constitution and § 24.103(b) of the Uniform Act prohibits consideration of increases or decreases in a property's value caused by the project. The Iowa Constitution specifically states that the appraiser: "shall not take into consideration any advantages that may result to said owner on account of the improvement for which it is taken."

1.6 Comparison of the Uniform Act and USPAP

Uniform Act	**USPAP**
It uses the term “requirements” instead of “standards” to avoid confusion.	It uses the term “standards” instead of “requirements” to avoid confusion.
It is to be used for government acquisition of private property in support of public programs.	It is to be used for varied private sector needs, but should be dominated by mortgage lending.
It guarantees fair treatment of owners and taxpayers.	It provides order and control of the appraisal profession.
It prescribes appraisal practices to be used for the acquisition of real property in support of federal and federally assisted programs.	It prescribes standards for performance of real estate appraisals in the private sector, especially appraisal practice in mortgage lending.
It must comply with the Constitution: just compensation is based on a fair market value appraisal.	It should avoid confusing and misleading appraisal users and protect appraisers.
The scope of work should be developed cooperatively with the appraiser and the Iowa DOT: • From the perspective that the agency must remain in control of its program and is a knowledgeable user of appraisal services; • Recognizing that the agency knows what it needs and why it needs it; and • Acknowledging the appraiser needs information and guidance from the agency or user.	The scope of work determination is the responsibility of the appraiser, assuming: • That the appraiser user is unfamiliar with the appraisal process; • That the appraiser determines what is needed and sets the appraisal parameters; • That the appraiser recognizes the client’s role in problem identification and scope of work decisions; and • That there are no specific requirements for client approval.
It is written to reflect a wide range of nuances, including: • Eminent domain requirements based on IAC; and • Partial acquisitions based on case law.	Not addressed, but it recognizes need to comply with laws and regulations.
Takes the perspective that the appraiser is to do whatever it takes to solve the appraisal problem, but no more. There is no need to “overappraise.”	All steps must be addressed, and if not included, explained why they were not.
Along with Article 1, § 18 of the Iowa Constitution, consideration of increases or decreases in a property’s value caused by the project is prohibited (§24.103 (b)).	Standards Rule 1-4(f) requires appraisers to analyze the effect, if any, of anticipated public improvements, located on- or off-site, to the extent that market actions reflect such anticipated improvements as of the effective appraisal date.
It requires at least a five-year sales history of the subject property (§24.103(a)(3)(i)).	Standards Rule 1-5(b) requires analysis of a three-year sales history of the subject.

1.6.1 Scope of Work

The Uniform Act and its implementing regulations (49 CFR 24) set forth minimum requirements for real property acquisition appraisals for federal and federally assisted programs. Appraisals subject to the Uniform Act must be prepared according to these requirements.

The Uniform Act and its implementing rules and USPAP guidelines require a written scope of work when preparing an appraisal. The purpose of the scope of work is to assist the appraiser and to review the appraiser and the Iowa DOT in establishing the appraisal assignment.

In the Uniform Act, the term "scope of work" defines the general parameters of the appraisal. It is a written set of expectations that forms an agreement or understanding between the appraiser and the Iowa DOT as to the specific requirements of the appraisal, which are set forth in a report delivered by the appraiser. It reflects the needs of the Iowa DOT and the requirements of federal and federally assisted program appraisal practice.

For each appraisal assignment, the appraiser must:

1. Identify the problem to be solved (know what to do);
2. Perform the scope of work necessary to develop a credible assignment result (do the work); and
3. Disclose the scope of work in the appraisal report (tell what they did).

In developing the scope of work for each property appraised, the appraiser must, at a minimum:

- Identify the intended use and the intended users of the appraisal report;
- Provide an appraisal which conforms to the Iowa DOT's definition of an appraisal;
- Afford the property owner or the owner's designated representative the opportunity to accompany the appraiser on the inspection of the property;
- Perform an inspection of the subject property;
- Include a sketch of the property and provide the location of any improvements; and
- Provide adequate photographs of the subject property and comparable sales. Include:
    - The property rights to be acquired;
    - The appropriate definition(s) of value;
    - An appraisal as if the subject site is free and clear of contamination (or as specified);
    - The date of the appraisal report and date of valuation;
    - A description of physical characteristics of the property, including items identified as personal property;
    - Known and observed encumbrances, if any;
    - Information about leases and tenants; and
    - Title information, location, present use, and a five-year sales history of the property.
- Identify the highest and best use in the appraisal;
- Present and analyze relevant market information;
- In developing and reporting the appraisal, disregard any decrease or increase in the fair market value of the real property caused by the project; and
- Include Certification and assumptions and limiting conditions statements.

1.6.2 Appraisal Reporting

USPAP Standard 2 addresses reporting the results of a real property appraisal and states that the appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.

Standards Rule 2-2 states that the written appraisal report must be an appraisal report or a restricted appraisal report. The essential difference between the two is in the content and level of information provided.

The Uniform Act addresses criteria for appraisals in 49 CFR § 24.103(a). It states that the format of and level of documentation in an appraisal depend on the complexity of the appraisal problem. A before and after appraisal reflects nationally recognized appraisal standards and must contain sufficient documentation to support the appraiser's opinion of value.

For those uncomplicated acquisitions that require an appraisal, the Iowa DOT has adopted a value finding format. This reporting format is used for simple, partial acquisitions when the damages to the remainder are nonexistent or are relatively minor, are easily measured or explained, or are measurable by cost to cure. This type of report does not express before and after values, but rather indicates the compensation due the property owner.

The Iowa DOT accepts common, preformatted residential appraisal reports to value total acquisitions of residential properties.

All types of appraisals require value conclusions to be supported by the development and reporting of relevant market information.

For purposes of Iowa eminent domain appraisal reporting, USPAP's appraisal report with the supplemental standards cited earlier equates to the Iowa DOT's before and after, value finding, and residential reporting formats.

1.6.3 Appraisal Review

USPAP Standard 3 addresses the appraisal review function. It states that an appraiser acting as a reviewer must develop and report a credible opinion as to the quality of another appraiser's work and must clearly disclose the scope of work performed in the assignment.

It further states that the reviewer's opinion about quality must encompass the completeness, adequacy, relevance, appropriateness, and reasonableness of the work under review. The appraisal review function may or may not include the development of an opinion of value about the real property of the work under review.

The Uniform Act addresses criteria for appraisal reviews in 49 CFR § 24.104, and it recognizes that appraisal review is a specialized area of appraisal practice. It states that a qualified review appraiser shall examine the presentation and analysis of market information in all appraisals to ensure they meet appraisal requirements of the Uniform Act and support the appraiser's opinion of value.

In addition to complying with USPAP Standard 3, the eminent domain review appraiser's responsibilities include:

- Rejecting, accepting, or approving (by a staff review appraiser), or recommending approval of (by a fee review appraiser), an estimate of just compensation, which cannot be less than the approved appraisal;
- Ensuring the appraisal report is completed in accordance with state law;
- Ensuring the appraisal report is completed in accordance with the Iowa DOT's *Appraisal Operational Manual* (this manual);
- Requesting and obtaining from the appraiser any needed corrections of or revisions to a deficient appraisal report; and
- Ensuring each appraisal report is independently acceptable and there is consistency throughout the project area.

If the review appraiser is unable to approve an appraisal as an adequate basis for the establishment of the offer of just compensation, they may develop an independent estimate of value if there is no other practical way to resolve an unacceptable appraisal or appraisals.

When the review appraiser establishes an independent value conclusion in lieu of approving the value conclusion of a submitted appraisal report, they become the appraiser, but no subsequent independent appraisal review is required.

Chapter 2 Statement of Property Owners' Rights

2.1 Purpose

The purpose of this chapter is to delineate the protections and rights afforded by Iowa law to property owners throughout the acquisition process or, alternatively, during condemnation proceedings.

2.2 Protections and Rights

It is important that the appraiser be aware of information that is distributed to property owners who may be affected by highway projects in the state of Iowa. This information is routinely distributed at various public meetings conducted by the Iowa DOT prior to the appraiser's first contact with the owner.

IC § 6B.2A mandates that acquiring agencies provide a "Statement of Property Owners' Rights" to owners of record who may have all or part of their property acquired by condemnation. The Iowa attorney general has adopted the following statement.

Property owners have the right to:

- Receive just compensation for the taking of property (Iowa Constitution, Article I, § 18).
- Receive an Offer to Purchase, which may not be less than the lowest appraisal of the fair market value of the property (IC § 6B.45 and IC § 6B.54).
- Obtain a copy of the appraisal (if an appraisal is required) upon which the acquiring agency's determination of just compensation is based not less than 10 days before being contacted by the acquiring agency's acquisition agent (IC § 6B.45).
- Be given an opportunity to accompany at least one appraiser of the acquiring agency who appraises the property when an appraisal is required (IC § 6B.54).
- Participate in good faith negotiations with the acquiring agency before the acquiring agency begins condemnation proceedings (IC § 6B.2B).
- Obtain a determination of just compensation by an impartial compensation commission and maintain the right to appeal its award to district court if they cannot agree on a purchase price with the acquiring agency (IC § 6B.4, IC § 6B.7, and IC § 6B.18).
- Receive a review by the compensation commission of the necessity for the condemnation if their property is agricultural land being condemned for industry.
- Receive payment of the agreed-upon purchase price, or if condemned, a deposit of the compensation commission award before they are required to surrender possession of the property (IC § 6B.25, IC § 6B.26, and IC § 6B.54(11)).
- Receive reimbursement for expenses incidental to transferring title to the acquiring agency (IC § 6B.33 and IC § 6B.54(10)).
- Receive reimbursement for certain litigation expenses: 1) if the award of the compensation commissioners exceeds 110 percent of the acquiring agency's final offer prior to condemnation, and 2) if the award on appeal in court is more than the compensation commissioner's award (IC § 6B.33).
- Be allowed at least 90 days' written notice to vacate occupied property (IC § 6B.54(4)).
- Obtain relocation services and payments, if they are eligible to receive them, as well as the right to appeal the eligibility for and the amount of payments (IC § 6B.42 and IC § 316.9).

The rights set out in this statement are not claimed to be a full and complete list or explanation of an owner's rights under law. They are derived from IC 6A, IC 6B, and IC 316.

The point of including this statement in the *Appraisal Operational Manual* is to make the appraiser aware of what the property owner expects from a representative of the Iowa DOT, an eminent domain authority.

Chapter 3 Appraisal Content Requirements

3.1 Purpose

The purpose of this chapter is to provide a detailed list of all the documentation and information that is necessary to collect and include in a properly conducted property appraisal.

3.2 Information Furnished to Appraiser

The appraiser is provided the following information electronically:

- A plot plan of the property that depicts the acquisition area in relation to the entire property (not to be confused with a land surveyor's acquisition plat)
- A land surveyor's acquisition plat, if available
- A summary of the proposed acquisition sheet, which lists the various property rights that will be acquired
- An excess land survey plat, if the assignment includes an appraisal of excess land
- The Report of Record Ownership and Liens prepared by a local abstracter, if available
- Pertinent copies of highway cross-sections (mainline, side road, borrow, etc.), if available
- Plans illustrating the acquisitions, details of the proposed acquisition from each property to be appraised, and property ownership lines, as well as existing right of way lines

Upon request from the appraiser and with concurrence from the Office of Right of Way, the Iowa DOT arranges to have the proposed acquisition lines staked on the ground. This is done only when necessary to assist the appraiser in determining the extent of the acquisition.

3.3 Types and Formats of Appraisal Reports

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

All appraisals are prepared following accepted appraisal principles and techniques in accordance with Article 1, § 18 of the Iowa Constitution; IC 6A, "Eminent Domain Law"; IC 6B, "Procedure Under Eminent Domain," as interpreted by decisions of the Iowa Supreme Court; 761 IAC 111; and the Iowa DOT *Appraisal Operational Manual*. These Iowa provisions implement and fully comply with USPAP as well as with the Uniform Act as amended and its implementing regulations found in 49 CFR 24.

The eminent domain appraisal development and reporting standards contained in the Iowa DOT *Appraisal Operational Manual*, Iowa law, and the CFR are no less stringent than USPAP. Eminent domain appraisals are not to be considered limited appraisals, restricted reports, etc. The appraiser's competency to complete eminent domain appraisals and reports must include familiarity with that body of case law relating to valuation under eminent domain as it expands or changes.

3.4 Data Required in all Appraisal Reports

The following information is required in the before and after appraisal, the value finding appraisal, and the residential appraisal reports in order to assist the reader in navigating and understanding the appraisal.

3.4.1 Title Page

This should include: 1) the type of appraisal report; 2) the county, project number, and parcel number; 3) the name of the owner and address of the property being appraised; 4) the effective date of the appraisal; and 5) the name and address of the appraiser(s) making the report.

3.4.2 Letter of Transmittal

This should include, at a minimum: 1) the date of the letter; 2) the identification of the property and property rights appraised; 3) a reference that the letter is accompanied by the type of appraisal report format used; 4) a statement of the effective date of the appraisal; 5) the value estimate or estimates in the case of a partial acquisition; and 6) the appraiser's signature.

3.4.3 Table of Contents

The major parts of the appraisal report and their subheadings should be listed. All pages should be numbered for ease of reference.

3.4.4 Form 633-101 or 401, Appraisal Report

Form 633-101 is furnished by the Iowa DOT and must be included in both the before and after appraisal and value finding appraisal reporting formats.

Note that on both of the above forms, when an owner or a tenant is a corporation or an estate, the name and address of an appropriate corporate officer or executor must be shown.

3.4.5 Form 633-204, Certificate of Appraiser

This form—or its equivalent, which is furnished by the Iowa DOT—is required to be included in all appraisal reports, except those prepared on Form 633-401, Residential Appraisal Report.

3.4.6 Form 633-205

This form—or its equivalent, which is furnished by the Iowa DOT—is required to be included in all appraisal reports, except Residential Appraisal Reports using Form 633-401. It includes the subsections "Purpose of the Appraisal," "Definition of Market Value," "Definition of Highest and Best Use," "Hazardous Substance Contamination," "Five-Year Delineation of Title," "Leases," and "Date of Inspection and Invitation."

3.4.7 Subject as a Sale

If the subject property has sold during the last five years, the appraiser must consider the sale in the sales comparison approach or explain the reason for omission.

3.4.8 Statement of Assumptions and Limiting Conditions

Contract appraisers may use their own assumptions and limiting conditions, so long as all items on the Iowa DOT Form 633-206, Assumptions and Limiting Conditions, are included, and no items added by the appraiser conflict with the Iowa DOT's items.

3.4.9 Color Photographs

Obtain identified photographs of the subject property, including principal, aboveground improvements or unusual features that affect the value of property to be acquired or damaged. Photographs of improvements and land within a partial acquisition area are also required.

Photographs of an acquired residence must include exterior views of all sides of the structure. Interior photographs should include all rooms, mechanical systems, and any other feature that would be addressed in the "elements of comparison" portion of the appraisal report.

Photographs of other acquired improvements should include one interior shot and any unique characteristics.

3.4.10 Sketches

Floor plan sketches with dimensions of each improvement to be acquired should include a room layout and must be included in the appraisal report. The sketch should be drawn approximately to scale.

3.4.11 Sales Data Sheets

Sales data sheets are required as part of all appraisal report formats and should include the following: the sale number; the grantor and grantee; the type of instrument and instrument date; the date of the transaction if significantly different from the instrument date; the book and page of record (if not recorded, so state); the sale price confirmed by a party to the transaction; the name of the confirming individual; and the conditions of sale and financing. They should also include: a simplified legal description; a description of land and improvements (for example, Corn Suitability Rating 2 [CSR2], tillable acres, shape, topography, size, etc.); neighborhood or location factors; zoning; the date of inspection; the location; the street address or directions to the site; photographs of improvements and any special features; rental and expense information; cash equivalency calculations; and any other pertinent information or calculations.

3.4.12 Location Maps

Location maps indicating sales locations relative to streets or major roadways should be provided. The subject property is also located on the maps.

3.4.13 Form 632-052, Record of Contacts

This form, furnished by the Iowa DOT, is to be included in addition to all appraisals. It is not a part of an appraisal. Its provisions are not subject to the appraisal standards of IC 543D.

Any information which might be helpful to those who subsequently contact the property owner or tenants should be provided.

Examples of such information are as follows:

- Directions to the location of an owner or tenant's property if that property is not easily located from information provided in the parcel file; also, the place of employment, business hours, and the business phone number of the owner or tenant, if that is where the individual might best be contacted
- Information regarding any unusual or unique characteristics of the property which were noted during the site visit but were not discussed within the body of the appraisal
- Information concerning specific sales provided by the property owner during the appraiser's contact with the property owner, if this information was determined not to be of value to the appraiser, or if it had no bearing on the appraisal
- Information concerning any special needs of an owner or tenant which need to be addressed by subsequent visitors, such as limited English proficiency, visual or hearing difficulties, etc.
- Information pertaining to the safety and well being of subsequent site visitors, such as the presence of an unfriendly animal

The appraiser should provide any information which might be helpful in the process of acquiring the necessary right of way.

3.4.14 Well Tests

If the appraiser notes any primary well in use located within the area to be acquired or that is otherwise rendered unusable by right of way acquisition, a well contractor is hired to test the capacity of the well and the quality of the water. The contractor is to determine the gallons pumped per minute.

A water sample is taken and sent to a qualified laboratory to determine its bacterial and nitrate levels. The intent is to create a benchmark for a new water source. This should help to reduce the number of claims of poor quality or low water volume in a new replacement well. The charges for the two tests completed by the well contractor can be submitted to the Iowa DOT for payment.

Chapter 4 Before and After Appraisal Report

4.1 Purpose

The purpose of this chapter is to thoroughly explain what elements must be contained and what issues must be addressed in a before and after appraisal report. It also examines the roles of the cost approach, the income capitalization approach, and sales comparison approach in determining an accurate property appraisal.

4.2 Report Elements

Before and after appraisal reports are required on either total or partial acquisitions of properties when other, less detailed formats are not applicable. They should include all applicable approaches to value. Reasons for omitting any approach to value should be clearly stated in the report.

The appraiser may be instructed to limit appraisal analysis to a specific valuation approach or approaches. This may occur when inclusion of additional approaches to value would not significantly add to the reliability and support of the final value estimate, when recommended by legal counsel, or when recommended by the appraisal supervisor.

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

4.3 Identification and Legal Description of Property Appraised

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

The legal description is typically shown in the title information as provided in the most recent conveyance documents. It is the appraiser's responsibility to note any potential problems in the legal description and to discuss the need for possible revisions with the appraisal supervisor, appraisal production coordinator, or the assigned review appraiser.

Lengthy legal descriptions for subject properties and sale comparables may be abbreviated. Abbreviated descriptions should be clear so that the reader is not misled. Signals such as "Land in [. . .]" or "Part of [. . .]" or "Abbreviated as [. . .]" should be used to begin an abbreviated description. References to appendix locations, deeds, etc., are not acceptable. Complete descriptions may be referenced if directly attached to the form or comparable sales analysis sheet.

4.4 Date of Value Estimate

Most frequently, for purposes of appraisal, the date of inspection is used as the valuation date.

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

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

The date of valuation and the date of the report should be clearly stated in the appraisal report.

4.5 Description of Community and Neighborhood

A description of the physical, social, and economic factors of the community and neighborhood must be included. The description should concentrate upon those factors that have an effect upon the current market value of the property or properties appraised. An analysis of how and why these factors are affecting value should be included.

4.6 Description of Characteristics of Property Appraised

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

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

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

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

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

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

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

- Zoning restrictions and the reasonable likelihood of zoning changes that are not dependent on the project for which the property is to be acquired
- Existing easements; both recorded and obvious adverse possessions
- Leases and tenants: terms for both written and verbal tenancies should be noted, and copies of written leases should be included
- Lack of other ownership rights, such as mineral rights or the right to conduct certain types of business

4.7 Possible Health Hazard Alert

A positive statement as to the knowledge, suspicion, or presumed existence of groundwater contamination, petroleum storage tanks, chemical storage, or other possible contaminants in or

on the property, or a positive statement that the property appears to be uncontaminated, is required.

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

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

Basis:

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

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

In appraisal practice, the concept of highest and best use represents the foundation upon which value is based. No valuation may proceed without this determination.

4.9 Statement of Property Rights Appraised

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

- Fee simple, or an absolute fee: a fee without restrictions or limitations to any particular class of heirs, but subject to the limitations of eminent domain, escheat, police power, and taxation
- Leased fee: a property held in fee with the right of use and occupancy conveyed by lease to others; an ownership consisting of the right to receive rentals over a period of time, plus the right of ultimate repossession at termination of the lease
- Leasehold, or a property held under tenure of lease: the right of use and occupancy of real property by virtue of a lease agreement; the right of a lessee to use and enjoy real estate for a stated term and upon certain conditions, such as payment of rent
- Easement, or an interest held by one person in the land of another, whereby the first person is accorded partial use of such land for a specific purpose. An easement restricts rights of the fee owner in the use and enjoyment of those rights extended to the easement holder. Easements fall into three broad classifications: surface easements, subsurface easements, and overhead or avigation easements.

4.10 Cost Approach and Analysis, if Applicable

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

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

In eminent domain appraisal, the cost approach to value is considered in only three situations:

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

The cost approach to value is not needed in other situations. However, in the case of a before and after valuation of an improved property, a land value as vacant for its highest and best use should be developed using the sales comparison approach. When the appraiser furnishes a cost approach, the approach must meet the following preparation and documentation standards.

The opinion of land value is to be developed from comparable sales or other methods, as outlined in the sales comparison approach to value. Land value must be estimated by basing it on the question of what the tract's highest and best use would be if it were unimproved and available for development.

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

These four methods of measuring accrued depreciation are acceptable:

- Breakdown: This method is to be applied using generally accepted methodology to produce estimates of physical deterioration, functional obsolescence, and economic or external obsolescence.
- Market analysis: The appraiser must indicate the following: development and documentation of land value from comparable sales and deduction of that value from the total sale price to ascertain the contribution value of the improvements; cost new estimates of the improvements on those comparable sales; comparison of contribution value; and cost new estimates to establish the percentage of accrued depreciation on the sale of improvements. To be valid, the comparables should be relatively similar to the subject in age, construction, function, and size.
- Commercial cost service: If the cost new estimate is developed by such a service, the appraiser may also use that system's estimate of depreciation, furnishing a copy of the

computation or computer output as a part of the appraisal report. The appraiser should ascertain whether the economic obsolescence, as included in the system, is relevant to the community.

- Economic age/life: The appraiser must adequately explain and justify estimates of effective age and anticipated economic life.

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

4.11 Income Capitalization Approach and Analysis, if Applicable

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

In the case of a before and after valuation (and if the cost approach has not been developed), a land value as vacant for its highest and best use should be developed using the sales comparison approach.

The appraiser collects, inspects, verifies, analyzes, and reconciles such comparable income data as are available to indicate an appropriate estimate of the gross income of the property being appraised.

The appraiser collects, verifies, analyzes, and reconciles such data on comparable operating expenses as are available to support an estimate of all operating expenses pertinent to the property being appraised.

The appraiser collects, verifies, analyzes, and reconciles data available to support an appropriate capitalization rate or rates to be applied to the estimated net operating income.

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

A final value indicated by the income capitalization approach shall be reached and clearly stated at the conclusion of the approach.

4.12 Sales Comparison Approach and Analysis, if Applicable

Definition: The sales comparison approach is based on a proposition that an informed purchaser would pay no more for a property than the cost of acquiring an alternate property with similar desirability and utility. This approach to value normally relies upon eminent domain appraisal valuations. In the case of a before and after valuation (and if the cost approach has not been developed), a land value as vacant for its highest and best use that is developed using the sales comparison approach is to be included.

The appraiser collects, inspects, verifies, analyzes, and reconciles available comparable sales information to produce a value conclusion. Comparable sales data must be contained in the appraisal report.

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

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

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

4.13 Reconciliation and Final Opinion of Value

The appraiser must reconcile the value indications previously reached from the approaches to value to arrive at a final opinion of value. Appraisers are to reconcile facts, trends, and observations developed in their analyses and review the validity and reliability of their conclusions. Relative significance, applicability, and defensibility of each indication of value is weighed and analyzed, and the greatest reliance is placed on the conclusions which best indicate the value of the property or rights appraised.

The final value opinion is to indicate the highest value that a typical, informed purchaser would pay for the subject property if it were available for sale on the open market as of the date of appraisal, given the data developed in the analysis.

4.14 Signatures by Responsible Appraisers

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

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

4.15 Supportive Material

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

4.16 Discussion of Interests

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

When the analysis indicates the presence of a lease, the appraiser must also include the tenant's name and address on Forms 633-205 or 633-401, Residential Appraisal. The appraiser

may be requested, as a part of the assignment, to provide separate values and appropriate forms for each of the several interests.

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

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

Tenant-owned structures, improvements, and fixtures shall be noted. If both landlord and tenant have signed an agreement denoting tenant-owned fixtures and equipment, the appraiser shall develop an appraisal of the tenant's interest that is separate from the owner's. If the owner and/or tenant do not agree on ownership, the appraiser should develop a division of interests and report it separately in the appraisal report.

4.17 Partial Acquisitions

Where a substantial portion of a property is to be acquired or there are significant damages to the remainder that cannot be easily measured by cost to cure, a before and after appraisal report is required.

Elements of this type of report include:

- All appropriate forms and inclusions noted earlier
- A description and discussion of the larger parcel
- A discussion of the real property, personal property, and rights to be acquired
- An analysis of highest and best use of the property before the acquisition, including both an analysis of the land as vacant and an analysis of the property as improved
- A valuation of the entire property as it exists prior to the proposed acquisition
- A discussion of the physical and functional effects on the remainder after the proposed project
- A reiteration of the property description, in abbreviated form, as existing after the removal of the acquisition; where no changes have occurred, reference may be made to the earlier descriptions
- A valuation of the property as it would exist after the acquisition, normally using the same valuation approaches as developed in the before acquisition analysis. A complete analysis must be indicated. It is unacceptable to simply value the part acquired and subtract the result from the before value to produce an after value. Use of costs to cure, where such costs are less than the reduction in value if not cured, is acceptable. Such costs should be based upon documented estimates.
- The appraiser should avoid using the same comparable sales in the before and after analysis. If the same sales comparables are used, the appraiser is required to provide market justification for the adjustments made to the comparables in both the before and after analyses.
- A statement as to conclusions reached

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

It is not acceptable to sum the unadjusted value of separate parcels of a property to arrive at the before or after value opinions.

Basis:

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

4.18 Suggested Structure for a Before and After Report

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

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

4.18.1 Before and After Report: Total Acquisition

- Title page
- Letter of transmittal
- Table of contents
- Neighborhood description
- Statement of the appraisal problem
- Description of subject site as vacant
- Highest and best use of subject site as vacant
- Valuation of subject site as vacant
- Description of subject improvements
- Highest and best use of subject improvements
- Cost approach
- Sales comparison approach
- Income approach
- Reconciliation and final estimate of value
- Discussion of interests, if applicable

Addendum

- Forms 633-101, 633-204, 633-205, and 633-206
- Summary of proposed acquisition (from Right of Way Design)
- Iowa DOT plot plan (from Right of Way Design), including the acquisition plat, if available
- Photographs of the appraised property
- All other supporting material, including sketches, comparable sales sheet and location maps, written leases (if available), etc.

4.18.2 Before and After Report: Partial Acquisition

- Title page
- Letter of transmittal

- Table of contents
- Neighborhood description
- Statement of the appraisal problem
- Description of subject site as vacant, before
- Highest and best use of subject site as vacant, before
- Valuation of subject site as vacant, before
- Description of subject improvements, before
- Highest and best use of subject improvements, before
- Cost approach, before
- Sales comparison approach, before
- Income approach, before
- Reconciliation and final estimate of value, before
- Discussion of interests (if applicable), before
- Description of rights to be acquired
- Effect of the acquisition on the subject property
- Description of subject site as vacant, after
- Highest and best use of subject site as vacant, after
- Valuation of subject site as vacant, after
- Description of subject improvements, after
- Highest and best use of subject improvements, after
- Cost approach, after
- Sales comparison approach, after
- Income approach, after
- Reconciliation and final estimate of value, after
- Discussion of interests (if applicable), after

Addendum

- Forms 633-101, 633-204, 633-205, and 633-206
- Summary of proposed acquisition (from Right of Way Design)
- Iowa DOT plot plan (from Right of Way Design), including the acquisition plat, if available
- Photographs of the appraised property, including land and buildings to be acquired
- All other supporting material, including sketches, comparable sales sheets and location maps, written leases (if available), etc.

Chapter 5 Value Finding Appraisal Report

5.1 Purpose

The purpose of this chapter is to explore the structure and process of building a value finding report as an alternative to the before and after report as an approach to appraisal. This chapter details the elements that a value finding report should always contain.

5.2 Suggested Structure for a Value Finding Appraisal Report

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

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

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

A brief narrative discussion must be included covering the overall property, the acquisition, and the acquisition's effect on the remainder. The extent of documentation is to be commensurate with the significance of the appraisal and values involved.

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

The three standard approaches to value, as discussed later, are considered; however, in most cases, only a sales comparison approach is requested. The land valuation requires a minimum of two sales that are documented, identified, and confirmed in the same manner as comparable sales for a detailed appraisal report.

The appraiser is no less diligent in gathering the data and completing the appraisal assignment than if performing a before and after appraisal.

Basic elements of this type of report are as follows:

- All appropriate forms and inclusions noted earlier
- A brief community and neighborhood discussion
- A brief discussion of the subject as well as the use and type of improvements; the description details should be commensurate with their importance to the value analysis

- A brief discussion and conclusion regarding the highest and best use of the property, both as vacant and as improved
- An explanation of the acquisition and an explanation of the effect of the acquisition on the remainder property
- A discussion of the land, improvements, and rights to be acquired
- Data and analysis to explain, substantiate, and thereby document the estimate of just compensation; the extent of this data should be commensurate with the appraisal problem
- Land value; the estimate of land value is to be developed from comparable sales, as discussed in the sales comparison approach to value
- An explanation of the valuation procedure and summary of conclusions reached, appropriately supported
- Signatures of the responsible appraisers
- Supporting exhibits and material

The following suggested structure is considered appropriate and acceptable for the value finding report.

- Title page
- Letter of transmittal
- Table of contents
- The following statement must be included in the report:
  "The opinion of just compensation in this value finding appraisal report reflects the appraiser's opinion of the difference between the before and after values. My opinion of just compensation is no different than if doing a before and after appraisal."
- Neighborhood description
- Description of the larger parcel and the subject property
- Highest and best use of the subject property
- Description of property rights to be acquired
- Effect of the acquisition on the subject property
- Valuation
- Discussion of interests, if applicable

Addendum

- Forms 633-101, 633-204, 633-205, and 633-206
- Summary of the proposed acquisition (from Right of Way Design)
- Iowa DOT plot plan (from Right of Way Design), including the acquisition plat, if available
- Photographs of the appraised property
- All other supporting material, including sketches, comparable sales sheets and location maps, written leases (if available), etc.

Chapter 6 Residential Appraisal Report

6.1 Purpose

The purpose of this chapter is to describe the residential appraisal report, what information and items it should contain, and when it is most appropriate to use as an approach to property appraisal.

6.2 Report Elements

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

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

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

- The uniform residential appraisal report with an attached first page of Form 633-401, Residential Appraisal Report
- Sales data sheets, sales location maps, and exterior photographs of major improvements
- A sketch of the first floor perimeter of the house, including dimensions
- Interior photographs of special features; these also serve as support for verification of the appraiser's interior inspection
- Specific or unique features which affect the value of the property and photographs of those features, as well as other materials which the appraiser feels are necessary to support or develop the valuation of property, including floor plans, plats, additional commentary, additional adjustment documentation, flood hazard maps, etc.

Chapter 7 Advertising Device Appraisal Report

7.1 Purpose

The purpose of this chapter is to describe how advertising devices are to be identified by appraisers as either private or public property and to explain how to determine whether or not a given advertising device requires appraisal.

7.2 Identification and Appraisal

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

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

The need for an appraisal of advertising devices is rare. Exceptions are considered on an individual basis. When the appraiser determines that a compensable leasehold interest exists and may be affected by the proposed acquisition, the interest is appraised accordingly.

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

Chapter 8 Leasehold Appraisal Report

8.1 Purpose

The purpose of this chapter is to explain the differences in approaching the appraisal of leased property and interests as opposed to those that are owned. This chapter also describes how to differentiate a total versus partial acquisition appraisal and how to allocate compensation between a lessee and lessor.

8.2 Report Elements

When the property to be acquired is subject to a written or verbal lease, including month-to-month tenancies, the appraiser must describe and analyze the lease. In all cases, the appraiser must include the tenant's name, address, and lease terms, along with the fee holder's name and address on the Appraisal Report (Form 633-101), Purpose, Definitions, etc. (Form 633-205), or Residential Appraisal Report (633-401).

All leasehold interests, including written options to renew, shall be explained and, if bona fide, valued. Copies of all leases are to be included in the appraisal report. If both the owner and tenant agree to the presence and terms of an oral lease, that lease is assumed to be valid, but it is limited to a one-year duration.

Basis:

> Fritz v. Iowa State Highway Commission, 270 N.W.2d 835 (Iowa 1978); City of Des Moines v. Geller Glass & Upholstery, Inc., 319 N.W.2d 239 (Iowa 1982); City of Des Moines v. Housby-Mack, Inc., 687 N.W. 2d 551 (Iowa 2004).

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

8.3 Total Acquisition

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

Basis:

> Iowa Civil Jury Instruction 2500.10, Measure of Damages Re: Leasehold.

The general measure of damage in a total acquisition for a leasehold interest taken under eminent domain is the market value of the unexpired term of the lease over and above the rent that is stipulated to be paid. Stated differently, the overall measure of damages to which a tenant is entitled when their entire interest in the property is taken is the fair and reasonable market value of the unexpired term of the lease less the rental reserve for the remaining term of the lease. The appraiser must also compensate for the loss of the tenant's ownership of business fixtures, if any.

Basis:

Batcheller v. Iowa State Highway Commission, 101 N.W.2d 30, 33 (Iowa 1960); Interstate Finance Corporation v. Iowa City, 149 N.W.2d 308 (Iowa 1967); Wilkes v. Iowa State Highway Commission, 172 N.W.2d 790 (Iowa 1969); City of Des Moines v. Housby-Mack, Inc., 687 N.W. 2d 551 (Iowa 2004).

8.4 Partial Acquisition

The measure of damage for a partial acquisition of a leasehold interest is the difference between the market value of the lease for the unexpired term of the lease immediately before the date of valuation (or condemnation date) and the market value of the lease for the unexpired term of the remaining lease immediately after the date of valuation (or condemnation date), less the rental reserve applicable to the uncondemned portion for the remaining period of the lease. Rental reserve is the tenant's obligation to pay rent for the unexpired or remaining term of the lease.

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

Basis:

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

8.5 Apportionment of Interests

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

In the event of a condemnation in Iowa, the owner receives compensation for their fee ownership and the tenant receives separate compensation for their leasehold interest. An owner's interest may be reduced by the encumbrance of an unfavorable lease.

The appraiser shall request and, when provided, include a copy of the lease in the appraisal report. When the lease is not made available or there is a disagreement between the lessor and lessee as to terms of the ownership of fixtures, equipment, or improvements, the appraiser values the lessor and lessee's interests as a part of the whole property, with the final conclusion of value including both interests. However, the appraiser allocates the lessor and lessee's interests within the body of the appraisal report. On a separate page, the appraiser includes a suggested allocation of interests in the before and after acquisition values of the property; the difference conclusion; and an identification of what property fixtures, equipment, and improvements are included in each interest. (See page 20, "Discussion of Interests.")

Basis:

City of Des Moines v. McCune, 487 N.W. 2d 83 (Iowa 1992); Fritz v. Iowa State Highway Commission, 270 N.W. 2d 835 (Iowa 1978); Wilson v. Fleming, 239 Iowa 718, 31 N.W. 2d 393 (Iowa 1948); City of Des Moines v. Housby-Mack, Inc., 687 N.W. 2d 551 (Iowa 2004).

Chapter 9 Tenant-Owned Improvement Appraisal Report

9.1 Purpose

The purpose of this chapter is to explain how an appraiser should approach appraising improvements owned by tenants who are residing on rented property.

9.2 Report Elements

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

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

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

In the case where tenant-owned improvements are involved, the appraiser secures both the owner's and tenant's signatures on a written agreement listing the items owned by the tenant. A copy of that agreement must be included in the appraisal report. A blank agreement form is furnished upon request. The appraiser appraises the separately held interests of the owner and tenant based on that agreement and furnishes a separate Form 633-101, Form 633-204, and Form 633-205 for each interest. If the owner or tenant refuses to sign an agreement, the appraiser is to make the allocation required under the appraisal content requirements, “Discussion of Interests.”

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

Chapter 10 Fixture and Equipment Appraisal Report

10.1 Purpose

The purpose of this chapter is to define what equipment and fixtures an appraiser should include in their report and to list the relevant forms that are necessary to complete and include in a fixture and equipment appraisal.

10.2 Small Quantities of Common Items

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

10.3 Large Numbers of Items and Specialty Items

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

A fixture and equipment appraisal consists of:

- An appraiser's letter of transmittal
- A Form 633-204, Certificate of Appraiser
- A Form 633-205, or the following Certification: "I personally inspected Fixtures and Equipment on_____, 20_____, and interviewed_____, who is the_____. I offered_____ an opportunity to accompany me on my inspection of this property, and he/she_____ that invitation. This invitation was extended by [personal contact, telephone, or letter] on_____, 20_____.
- An identified listing of the items appraised
- A listing of replacement cost by item or groups of like items
- A listing of value in place by item or groups of like items
- A listing of salvage value by item or groups of like items
- An identification of sources of cost data used, including publication titles or individuals' names and addresses

10.4 Number and Submission of Appraisal Reports

An original and two copies of each appraisal report, plus an extra Form 633-101, are prepared and submitted. The appraiser is advised to retain a copy on file.

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

Chapter 11 Revising the Appraisal Report

11.1 Purpose

The purpose of this chapter is to identify the circumstances under which an appraisal report should be revised, whether a revision needs to be major or minor, the proper procedure for completing a revision, and who is responsible for overseeing an appraisal revision.

11.2 Minor Revisions

When the change causing the revision of an appraisal report is of a minor nature, either the appraisal reviewer or the appraiser may prepare the revision. When the review appraiser prepares the revision, Form 633-501 should be used. When assigned to an appraiser, a completed Form 633-301 is prepared.

The revision should identify the project and parcel, give the date of the appraisal that is being revised, and explain the revisions and their effects. The supplement should also include the before and after value as revised, the date of the revision, and the signature of the appraiser. The review appraiser attaches this supplemental revision to the front of the original report. If the before and after values or the individual damage items have changed, new Appraisal and Certification Forms are submitted by the appraiser or review appraiser. The revision is prepared in duplicate and submitted to the review appraiser.

11.3 Major Revisions

When a change causing revision is major, the appraiser revises the original appraisal. The appraiser submits new sheets for those parts of the original report that require change. The revised sheets include new Appraisal, Allocation, and Certification Forms. The review appraiser inserts the revised sheets in the proper order in each copy of the previous report. If a revision requires reinspection of property, the appraiser offers the owner an opportunity to accompany the reinspection.

Voided original sheets may be discarded when supporting information for the revision is contained elsewhere within the file.

Chapter 12 Updating the Appraisal Report

12.1 Purpose

The purpose of this chapter is, as with appraisal revisions, to describe the circumstances under which an appraisal would need to be updated. Such an update may reveal a need to change an estimate of just compensation, and this chapter explains who is responsible for making such a change in estimated value.

12.2 Circumstances to Update

Material changes in the character or conditions of a property; information received from the owner or community; neighborhood events; or a significant delay since the time of the appraisal of the property warrant obtaining an update of the appraisal or obtaining a new appraisal. If, due to new information, the revised or new appraisal indicates a change in the estimate of just compensation approved by the review appraiser, the review appraiser shall conduct a new review, producing a revised analysis and estimate of just compensation.

When the appraiser is requested to update an appraisal to reflect the possible changes in value since the date of the original report, the revised values are to be supported by appropriate data and analysis furnished as an addendum to the original appraisal. Revised Appraisal, Allocation, and Certification Forms shall be prepared as necessary.

A review appraiser may be instructed to reexamine appraised values. This report may be in the form of a memorandum addressed to the acquisition supervisor indicating the updated values together with the data and analysis to support any changes. The memorandum must include a breakdown of the estimate of just compensation to indicate the values for land, improvements, buildings, damage to remainder, etc.

12.3 Parcel Deletion

When a parcel is deleted, all files are returned to the appraisal production coordinator.

Chapter 13 Definitions, Guidelines, and Requirements

13.1 Purpose

The purpose of this chapter is to provide basic definitions of items and concepts that are relevant to the appraisal process.

13.2 Standard Definitions

13.2.1 Appraisal

An appraisal is a written statement, independently and impartially prepared by a qualified appraiser, setting forth an opinion of defined value of an adequately described property as of a specific date that is supported by the presentation and analysis of relevant market information.

13.2.2 Contributory Value

Contributory value of an improvement, fixture, tract of land, or portion thereof is an amount by which the total value of a property is changed, either due to its presence or absence.

13.2.3 Eminent Domain

The Iowa Constitution, Article 1, § 9 provides that "no person shall be deprived of life, liberty or property without due process of law." Article I, § 18 further provides that "Private property shall not be taken for public use without just compensation first being made, or secured to be made to the owner thereof, as soon as the damages shall be assessed by a jury, who shall not take into consideration any advantages that may result to said owner on account of the improvement for which it is taken."

13.2.4 Equipment

Equipment is defined as readily relocatable personal property not that is not specifically designed or adapted to the function of the real estate. These items may be attached, but their removal would not impair the function or use of realty.

13.2.5 Fixtures

Fixtures are defined as additions to real estate by reason of their attachment and the specific purpose which they serve. Fixtures are usually permanently affixed to the building or land and contribute to the purpose or use of the basic realty.

13.2.6 Just Compensation

Iowa courts have translated the constitutional term "fair and just compensation" into a formula that defines the measure of damage to be used in determining the amount to be paid when private property is acquired for public use. Just compensation is expressed in terms of market value and states that the measure of damage is the difference between fair and reasonable market value of the whole tract immediately before the acquisition and the fair and reasonable market value of the remaining portion immediately after the acquisition, without consideration of any benefits to the property which may have resulted or may result in the future from the

proposed improvement. Likewise, in the case of total acquisitions of property, fair and reasonable market value is considered the basis for just compensation.

Basis:

Iowa Constitution, Article 1, § 18; Iowa Civil Jury Instructions 2500.3; Belle v. Iowa State Highway Commission, 126 N.W.2d 311 (Iowa 1964); Harris v. Board of Trustees of Green Bay Levee & Drainage Dist. No. 2, Lee County, 59 N.W.2d 234, 237 (Iowa 1953); Aladdin, Inc. v. Black Hawk County, 562 N.W.2d 608 (Iowa 1997).

13.2.7 Fair and Reasonable Market Value

In the state of Iowa, the term "fair and reasonable market value" is defined as the cash price which would be arrived at as between a voluntary seller, willing but not compelled to sell, and a voluntary purchaser, willing but not compelled to buy. It assumes a buyer and seller are bargaining freely in the open market for the purchase and sale of the real estate in question.

The term does not mean a value in circumstances in which more than its fair price could be obtained, nor does it mean the price which the property would bring at a forced sale. It does not mean what the property is worth to the plaintiff (owner) nor what the defendant (acquiring authority) can afford to pay, but what it is fairly worth in cash on the open market, as stated above.

Basis:

Iowa Civil Jury Instructions 2500.4.

In short, the fair and reasonable market value of a property is to be considered in the same manner that a knowledgeable, voluntary buyer determines the fair and reasonable market value of a property: in terms of its capabilities, its detriments, and its fair and reasonable worth in the marketplace. The jury and/or compensation commission is entitled to be informed of all factors which 1) tend to show value, which the willing seller would impress upon the willing buyer, and 2) tend to indicate lack of value, which the willing buyer would impress upon the willing seller. These factors include sales of comparable properties and evidence of the property's highest and best use.

Basis:

Iowa Civil Jury Instructions 2500.6 and annotated authorities; Bellew v. Iowa State Highway Commission, 171 N.W. 2d 284, 288-289 (Iowa 1969); and In Re Primary Road No. 141, 255 Iowa 711, 124 N.W.2d 141, 147 (Iowa 1963).

The determination of market value may not consider or reflect any enhancement in value of the subject caused by the public improvement which has prompted the taking. (I.e., no sales exhibiting these effects may be used as a comparable in arriving at the value of the subject property, either before or after the date of condemnation.)

Basis:

Iowa Civil Jury Instructions 2500.3; Socony Vacuum Oil Co. v. State, 170 N.W.2d 378 (Iowa 1969).

13.2.8 Salvage Value

Salvage value is the value inherent in fixtures and personal property to a knowledgeable purchaser, who must remove them from the premises at the purchaser's expense for transport to another location, allowing a reasonable period of time to find a purchaser with knowledge of the uses and purposes for which they are adaptable and capable of being used. This includes the separate use of serviceable components and scrap when there is no reasonable prospect of sale except on that basis.

Any compensation for the loss, damage, or reduction in value of personal property is provided as a relocation assistance payment.

Basis:

IC § 6B.42, "Eminent domain—payment to displaced persons"; IC § 316.2(3); Nidy and Company v. State, 189 N.W.2d 583 (Iowa 1971); Cahill v. Cedar County, Iowa, 367 F. Supp.39 (N.D. Iowa 1973).

13.2.9 Value in Place

Value in place is defined as the amount a prudent purchaser would pay for an item (fixtures and equipment) in place, determined by the use the item contributes to the whole property. This value is typically based on the installed cost of the item, less depreciation. Installed cost includes the cost of the item plus costs of any foundations, wiring, plumbing, permits, etc., necessary for the item to remain in the existing operational condition.

The Iowa DOT typically requests this valuation information in fixture and equipment appraisals. The Relocation Assistance Section, when making a determination regarding actual, direct loss of tangible personal property, uses this information.

13.3 Appraisal Guidelines and Requirements

13.3.1 Access

Access to an established roadway is considered a property right. Every property has the right to free and convenient access to a public road system. However, the right of access associated with a property abutting a public roadway does not include the privilege of unrestricted entry at each and every point along the frontage. Through exercise of police power, state and local governments are authorized to control access. Abutting owners are not entitled to compensation for certain restricted access if their property retains or is provided with reasonable access that is compatible with highest and best use.

Valid exercises of police power by a governmental authority, which do not entitle the abutting landowner to compensation for damages, may include:

- Inserting median dividers only separating the lanes of travel
- Changing traffic from two way to one way
- Increasing or decreasing traffic volume or changing the nature of traffic on the roadway
- Limiting size, weight, and class of vehicles authorized to use roadways
- Limiting access to defined entrance locations

Basis:

Linge v. Iowa State Highway Commission, 260 Iowa 1226, 150 N.W.2d 642 (Iowa 1967); Lehman v. Iowa State Highway Commission, 251 Iowa 77, 99 N.W.2d 404 (Iowa 1959).

A landowner is not entitled to damages for denial of access to a new highway or section of a relocated highway designated as a controlled access facility at the time of its construction. No right of access vests; therefore, no compensation can be allowed. While the landowner may recover damages to the land caused by the fact that the road separates a parcel into two tracts, the landowner may not recover for loss of access to the highway itself.

Basis:

Lehman v. Iowa State Highway Commission, 251 Iowa 77, 99 N.W.2d 404 (Iowa 1959); Des Moines Wet Wash Laundry v. City of Des Moines, 197 Iowa 1082, 198 N.W. 486, 489 (Iowa 1924).

When a property presently has frontage on two or more roads and access is denied or substantially impaired on one of the roads, availability of the alternate does not necessarily eliminate damages to the remainder.

Frontage roads present an additional access question. If direct access is impaired, the property may be damaged even though the frontage system is a substitute for direct access, although the frontage road may reduce or eliminate such damage.

Access is one area in which there is a limited judicial record. Many areas are still subject to additional judicial review and ruling. Therefore, when a special issue is encountered, the appraiser is advised to consult with the senior appraiser.

If the frontage road right of way is purchased by either warranty deed or permanent easement, public maintenance is provided. A frontage road or entrance constructed on a temporary easement does not have public maintenance.

Right of way plans on some highways include predetermined access locations (PDAs). Most PDAs are built during project construction. The Iowa DOT undertakes the construction of entrances at PDAs which are not built until after the project is completed. These unbuilt PDA entrances are constructed in response to the property owner's request.

13.3.2 Adverse Possession

Adverse possession is acquisition of property rights through the legally prescribed process of "open and notorious occupancy." No private individuals may acquire property rights to government-owned lands through adverse possession. Therefore, no compensation may be paid for the acquisition of private improvements located on public lands or for reclaiming public lands from private occupancy.

13.3.3 Advertising Devices (Signs)

In Iowa, when an advertising sign is located within the proposed acquisition area, it is generally considered personal property and is moved under the state’s Relocation Assistance Program.

Advertising signs may be categorized into two main groups: on-premise signs and off-premise signs.

On-premise signs advertise the principal product sold or activity conducted on the property where the sign is located and may require local, city, or county permit or approval.

Off-premise signs display general advertising for products or services available at locations other than at the sign site. With the exception of special event signs, all off-premise signs require a permit that is issued through the Advertising Management Section in the Office of Traffic and Safety at the Iowa DOT. Examples include: billboards owned by advertising companies; county or municipal school district recognition signs that welcome approaching travelers; and church service club signs that display a message relating to locations or meeting times.

An advertising device is appraised and acquired:

- When there is an on-premise advertising sign on a total acquisition and the sign is appraised as part of the real property;
- When the advertising sign cannot legally be moved back onto remaining land because of zoning or spacing requirements. Generally, this involves off-premise signs on partial acquisitions.
- When the sign and/or structure supporting the sign cannot physically be moved or it is not economically feasible to move it. This generally involves masonry structures.

13.3.4 Allocation of Just Compensation

The property owner is provided an "itemization of appraised value of real property or interest therein, any buildings thereon, and all other improvements including fences, severance damages, and loss of access" (IC § 6B.45). The review appraiser is to allocate an estimate of just compensation—concluded in a detailed appraisal (before and after) or a value finding appraisal—into the categories noted on Form 633-102, Allocation of Just Compensation. The allocation is to be based either upon the appraiser's conclusions and opinions stated in the report or the review appraiser's interpretation of the market data. This form becomes a part of the review appraiser's report and is presented to the property owner.

13.3.5 Appraisal Confidentiality Requirement

Except as required by due process of law or written consent, it is considered improper for the appraiser to disclose the appraisal report or any of the observations or conclusions reached in the appraisal to the property owner or a third party until the it becomes a matter of public record.

13.3.6 Appraisal Objectivity

The appraiser's duty in preparing an appraisal is to provide an unbiased opinion of fair market value of a specified property and an estimate of just compensation for a proposed acquisition. The value conclusion is to be objective and unrelated to any perceived desires, wishes, or needs of the acquiring agency or property owner. The appraiser is neither to withhold nor to overemphasize any facts, data, or opinions concerning the subject, nor is the appraiser in any other particulars to become an advocate. The appraiser has an obligation to present data, analysis, and value conclusions without bias, regardless of their effect on any party involved in the action.

13.3.7 Approaches to Value

The appraisal report should include only those approaches to value that are pertinent to the property appraised. Any approach to value that is not applicable to the solution of the appraisal issue may be omitted. Reasons for omitting any approach to value should be clearly stated in the report. When sufficient market sales are available to support the fair market value for the appraisal, the appraiser should include only a sales comparison approach to value in the appraisal report. When appraising properties with older improvements, the cost approach to value should be omitted. When appraising properties that are not normally leased, the income approach to value should be omitted. The sales comparison approach to value should be examined in all cases where market sales exist.

13.3.8 Assumptions and Limiting Conditions

The following is a partial list of assumptions and limiting conditions which are acceptable to consider in appraisals for the Iowa DOT. Some assumptions may not be applicable to all appraisals. The appraiser may assume:

- The photographs contained in the individual appraisal reports were taken by the appraiser on the date the property was inspected. Any photo taken on a different date or by another person is appropriately labeled.
- The title to the property is good and merchantable and is free and clear of all liens. There are no encumbrances other than those mentioned in the appraisal report.
- The plans, plats, legal descriptions, and other data furnished by others are assumed to be correct and reliable, but the appraiser assumes no responsibility for their accuracy.
- The individual appraisals conform to the Iowa Constitution and IAC, do not reflect any benefits or diminution of value caused by the proposed improvement, and do not include noncompensable items of damage.
- Any acquired temporary easement area is retained by the state until completion of the construction project and is returned in the condition indicated by the project plans.
- Existing drainage is not adversely affected by highway construction unless otherwise specified in the data furnished. Tile lines on remaining property function properly after highway construction is completed unless otherwise noted.
- The property is appraised as though under responsible ownership and typical management.
- In those cases where the state does not erect a right of way fence and fencing is required, the property owner is paid separately for the cost of fencing the new right of way line. The property owner has a right to pasture livestock adjacent to any state-erected fence, but must assume all responsibility for restraint of such livestock. Any project effect on fencing other than right of way fence or temporary fence is considered in the individual appraisal reports.
- The property owner or lessee is paid separately for loss, if any, of growing crops or completed field preparation.
- The Iowa DOT may use any or all of the contents of appraisal reports only for normal business functions.

13.3.9 Benefits Offsetting Damages

Article 1, § 18 of the Iowa Constitution forbids project benefits from being used to offset either damages or land costs during eminent domain acquisition.

13.3.10 Benefits or Diminution of Value

Benefits may be defined as: "A significant market advantage which has resulted, or which may result in the future, from the public improvement for which land is sought to be acquired." Diminution in value may be defined as: "A significant reduction in value resulting from anticipation of the impending project or any other public improvement project."

No consideration may be given to changes in value resulting from speculation based on knowledge of the project. This speculation may result in either an increase or decrease in the property value. An eminent domain project property appraisal must reflect the value of subject property as if the project did not exist.

The appraiser shall consider comparable sales of properties located in the vicinity of the property being appraised. However, when sale prices of these properties reflect enhancement or diminution of value caused by anticipation of the proposed project, the appraiser shall reject such sales and substitute sales in unaffected, comparable locations.

Basis:

Socony Vacuum Oil Co. v. State, 170 N.W.2d 378 (Iowa 1969).

The facts and circumstances of sales rejected because their sales price reflects benefits or detriments shall be reported by memorandum to the appraiser or manager of appraisal production.

Likewise, if, during the interview, the owner informs the appraiser of a sale that occurred, and it was not used in developing the appraisal, the appraiser should note that fact in the owner contact.

13.3.11 Cash Equivalency

All sales must be reduced to their cash equivalent values. When a cash equivalency adjustment is required, underlying calculations or logic must be indicated either on the sales data sheet or in the appraisal report.

Basis:

Iowa Civil Jury Instruction 2500.4, Fair and Reasonable Market Value; Jordan v. Iowa Department of Transportation, 468 N.W.2d 827 (Iowa 1991); Redfield v. Iowa State Highway Commission, 110 N.W.2d 397 (Iowa 1961).

13.3.12 Closing Costs

Costs associated with the closing of real estate transactions, such as future abstracting, mortgage release, etc., shall not be considered in the appraisal. These are handled under separate payment during the acquisition, relocation, and closing processes.

13.3.13 Comparable Sale

Market data is essential to each of the three value approaches. The appraiser’s opinion of value is to be based on objective rather than subjective analysis. In order to accomplish this, the appraiser must use comparable sales.

In order for a sale to be considered a valid comparable to the property under appraisement, it must meet three criteria:

1. The comparable sale must be competitive. That is, it should be a reasonable substitute for the subject property. The comparable must be similar enough in size, shape, and features.
2. The comparable sale must qualify as an open market transaction. This requirement eliminates sales that are not "arm's length" sales. There should be no unusual circumstances surrounding any particular sale that could distort its price.
3. The comparable sale should have a sale date relatively close to the date of value. The appraiser must also consider general market price trends. The sale prices of all properties are generally affected by inflation or deflation and by other local influences more than national trends. The more current a sale, the less chance there is that some influence will affect a sale's comparability.

Every property is unique in some way. Because of this, the appraiser may have difficulty in finding recent sales of completely comparable properties. While the appraiser should make every attempt to collect sales that are as similar as possible in time of occurrence, location, and major characteristics, there sometimes may not be enough market to do so. It then becomes necessary to widen standards of comparability to obtain an adequate number of sales. But the appraiser should never use sales that do not meet the criteria for an open market transaction.

In Iowa eminent domain appraisal, there are additional criteria that define what is considered to be a comparable sale. An "arm's length" sale of the subject property can be used as an indication of the fair market value of the subject property.

Basis:

Jordan v. Iowa Department of Transportation, 468 N.W.2d 827 (Iowa 1991); Riley v. Iowa City Board of Review, 549 N.W.2d 289 (Iowa 1996); Redfield v. ISHC, 99 N.W.2d 413 (Iowa 1959); Campbell v. ISHC, 222 Iowa 544, 269 N.W. 20 (Iowa 1936).

The price of third-party sales which are comparable to the subject property, as a matter of law, represent independent evidence of the value of the subject property. For such sales and sale prices to be comparable, they must be similar in size, use, location, character of land and time, mode, and nature of the sale.

Basis:

In RE Primary Road No. Iowa 141, 255 Iowa 711, 124 N.W.2d 141, 147 (Iowa 1963); Belle v. Iowa State Highway Commission, 126 N.W.2d 311 (Iowa 1964); Redfield v. Iowa State Highway Commission, 99 N.W.2d 413 (Iowa 1959); Iowa Development Company v. Iowa State Highway Commission, 122 N.W.2d 323 (Iowa 1963).

Land contract sales must be reduced to their cash equivalent value when used as a comparable sale.

Basis:

Iowa Civil Jury Instructions 2500.4; Jordan v. Iowa Department of Transportation, 468 N.W.2d 827 (Iowa 1991).

Speculative contract sales or contract sales for a consideration other than money should not be used as comparable sales.

Basis:

Redfield v. Iowa State Highway Commission, 110 N.W.2d 397 (Iowa 1961).

Valid comparable sales must be competitive with the subject property in the marketplace. Sales of lots and small acreages are not comparable sales for determining the before value of a large farm unless there is a present demand for such uses or a reasonable expectation of demand in the near future.

Basis:

Martinson v. ISHC, 134 N.W.2d 340 (Iowa 1965); Bellew v. Iowa State Highway Commission, 171 N.W.2d 284, 288-289 (Iowa 1969); Redfield v. ISHC, 99 N.W.2d 413 (Iowa 1959); Iowa Development Company v. Iowa State Highway Commission, 122 N.W.2d 323 (Iowa 1963); Jevin Corporation v. Wright County Board, Iowa Court of Appeals, filed April 13, 2005, No. 04-0631/5-04.

Neither the sales of properties under the threat of condemnation nor properties that have been condemned may be used as comparable sales. Sales reflecting special benefits or detriments from public improvement projects under appraisal may not be used.

Basis:

Iowa Civil Jury Instructions 2500.7; Socony Vacuum Oil Co. v. State of Iowa, 170 N.W.2d 378 (Iowa 1969); Jones v. Iowa State Highway Commission, 259 Iowa 616, 144 N.W.2d 277, 280 (Iowa 1966).

An unaccepted offer of sale that assumes that a certain use of the property will be permitted—and that subsequently fails to reach fruition because the assumption is incorrect—should not be used as a comparable sale.

Basis:

Danamere Farms, Inc. v. Iowa Department of Transportation, 567 N.W.2d 231 (Iowa 1997); Hardaway v. City of Des Moines, 166 N.W.2d 578, 580 (Iowa 1969).

13.3.14 Confirming and Inspecting Sales

Sales that are used as primary comparables in an appraisal report must be both confirmed and physically inspected by the appraiser. It is not necessary to confirm or inspect sales that the appraiser is not considering as primary comparables unless the information gained could reasonably be expected to have a significant impact on the value conclusion. The appraiser only relies on confirmations from parties that were directly involved in the sale, such as the grantor, grantee, or broker. Confirmation gained from persons not directly involved is unacceptable unless the appraiser explains any special circumstances involved. When unusual conditions or questionable values are discovered, it is recommended that the appraiser interview more than one of the parties involved in the transaction to ensure the reliability of data.

When two or more appraisers are assigned to a project and both are preparing appraisals on the same parcels, they may exchange factual data and jointly confirm and inspect sales. However, these cooperative activities are specifically limited to the gaining of factual data. Each appraiser must develop an independent analysis of sales. Any exchange of opinion or analysis, regardless of form, is prohibited.

13.3.15 Contacts with Property Owners and Tenants

When preparing an appraisal, the appraiser must contact the property owners or their designated representatives before conducting an on-site physical inspection of the subject property. Permission to inspect the property must be requested, and the owner or their designated representative must be invited to accompany the appraiser on the property inspection. The appraiser is to interview that person in order to gain such information as is required to properly complete the assignment.

Any questions the owner may present concerning the proposed acquisition are to be researched and answered if possible.

All contacts with the owner are to be held in a helpful, nonargumentative manner. In the case of a leased property (except residential month-to-month and annual farm leaseholds), the appraiser should also interview the tenant. The tenant must be offered an opportunity to accompany the appraiser on a property inspection if tenant-owned improvements are affected by the proposed acquisition and/or when it is determined there is a leasehold interest.

Copies of property plats and the summary of proposed acquisitions may be presented to the owner and tenant.

13.3.16 Contacts with the Public

Appraisers are to promote good public relations for the agency through professional conduct and the exercise of discretion in their contacts with the public. Individuals should issue no statements to news media without the approval of the Right of Way director.

13.3.17 Cost to Cure

When appraising a partial acquisition where monetary damages, due to acquisition, may be substantially reduced through some action on the part of the property owner—and the cost of that action is less than damages would be otherwise—the appraiser is to consider the "cost to cure," or the actual cost to solve the situation, in the report. The total of cost to cure and damages, as cured, must not exceed the total damages as if not cured. Significant costs to cure must be supported by written contractor's estimates attached to the appraisal report. The cost to cure is considered an appropriate technique, as it reflects actions of purchasers in market transactions when they examine deficient or damaged property.

Although the owner of the property may opt to do so, the appraiser should not use cost to cure when the removal of buildings or fixtures to the real estate is required to lessen or mitigate damages.

Basis:

Wilson v. Fleming, 239 Iowa 718, 31 N.W.2d 393 (Iowa 1948).

13.3.18 Crop Loss

Appraisals prepared prior to condemnation are not to consider crop loss in the acquisition area. Compensation is provided separately at the time of acquisition or condemnation.

In the case of an appraisal for court testimony where the crop was not harvested by the owner, the appraisal shall consider the value as of the condemnation date.

13.3.19 Donations

IC § 6B.54(9) and 23 of USC § 323 provide that a person whose real property is acquired in connection with a Federal-aid highway project may offer a gift or donation of such property, any part thereof, or of all or part of the just compensation paid for the property to a federal agency, a state or a state agency, or to a political subdivision of a state, as determined by that person. Such donation may only occur after the person has been fully informed of their right to receive just compensation for acquisition of the property.

When property is acquired by donation, no appraisal is required. However, owners must also be fully informed that they are entitled to an appraisal of the property along with an offer of just compensation. It is not unusual for an owner to insist upon receiving an appraisal, even though the property is ultimately to be donated, for accounting and tax reasons.

If an owner wishes to donate land, the Iowa DOT or the acquiring agency's obligation to appraise and offer just compensation for the acquisition of property must be waived. Form 633-220 provides for the property owners' written release. This document is normally presented to the property owner by the acquisition agent in the negotiation process.

13.3.20 Driveways—Additional Maintenance

State law provides that the Iowa DOT shall pay the property owner twenty dollars per lineal foot for additional length of any driveway to a remaining residence that requires private maintenance and that is relocated as a part of a highway construction project. The purpose of this payment is to reimburse the property owner for future maintenance costs of the additional driveway length. The additional length is specified on the summary sheet provided in the parcel file.

Basis:
IC § 306.19(2a).

13.3.21 Duplication of Damages

Highway construction plans often provide for the replacement of drives, walks, parking surfaces, retaining walls, etc., or specify that certain trees or shrubs will not be disturbed during construction activities. The appraiser shall exercise care to avoid payment for these items in the after valuation. Damage for items replaced shall not appear in the after valuation unless their utility is diminished.

13.3.22 Easements

- Temporary easements

  Temporary easements are for stated purposes and limited time periods that vary with the requirements of the easement. When appraising the after value of temporary easement areas, the appraiser shall consider the condition in which the tract will be left after the completion of the construction project, the length of time the easement is in force, and whether the owner will have any rehabilitation expense after it is released.

Temporary easements are acquired for many specific purposes, such as: borrow, haul roads, shaping slopes, ditching outlets, removing acquired improvements, driveway construction, utility construction, etc.

- Temporary easement haul roads

  A road grade is normally constructed for haul roads. This grade is removed and the ground elevation returned to its approximate original contour prior to the abandonment. A haul road easement is released following completion of the construction project.

- Temporary easement borrows

  A temporary easement borrow is normally purchased when a quantity of fill material is required for the construction of a specific highway project. The appraiser is provided a surface drawing of the limits of the easement and the limits of the actual borrow area within the easement. A cross-section plan or topographic map indicating the final slope of the borrow is also to be provided by the agency.

  In cases where the plans and the Summary of Proposed Acquisition Explanation, which is furnished by the agency, state that topsoil is not to be replaced, only the after condition for the borrow is to be valued.

  In cases in which the plans and the Summary of Proposed Acquisition state that topsoil is to be replaced, the appraiser is to value the borrow, assuming eight inches of topsoil will be replaced throughout the borrow area. If, during the property inspection or analysis, the appraiser should conclude that soil quality; topographical features; change of highest and best use; or use for commercial, industrial, or residential development precludes the need for topsoil replacement, the appraiser may contact the senior appraiser for instructions on how to proceed.

  On borrows where topsoil is to be replaced, the Iowa DOT is required to make provisions for the salvage of topsoil. The property owner is no longer responsible to provide an area to store topsoil during borrow activities.

Basis:
IC § 314.12A.

Stabilized crop seeding and fertilizing is applied to all areas except water-covered areas of lake-type borrows and borrows where topsoil is replaced.

Temporary borrow easements are normally released after the project's grading, paving, and erosion control are completed.

If field tile lines are severed by removal of the borrow material, the state's road contractor performs whatever restoration is necessary to ensure continuing function of any tile remnant draining on remaining land. Therefore, this is not an appraisal issue, except that the borrowed portion is not retiled.

Costs for temporary perimeter fencing for a borrow easement is reimbursed as part of the acquisition process and not as part of the appraisal.

The after value of the borrow easement areas is supported by market or income analysis. Sales of former borrow areas may be used for documentation of values.

- Permanent easement borrows

  Iowa DOT policy is to vacate permanent easements for borrow one year after all construction has been completed, except on those permanent easements procured for wetland mitigation purposes in addition to borrow purposes. Permanent easement borrows are usually acquired for use on more than one project or for use at different stages of a single project. Therefore, the appraisal considers the easement right to permanently encumber property.

- Permanent easement for flowage

  A flowage easement is required when the flowage of water is restricted and ponding occurs for a short period of time. The limits of a flowage easement generally consist of the area lying between the proposed ponding elevation and the historical ponding elevation.

- Permanent easements for ponding

  Ponding rights are obtained via a permanent easement covering a specific area. They are typically obtained when drainage structures are proposed with a raised entrance flow line. A ponding easement is needed when water is ponded indefinitely where it was not previously.

  When ponding is required, a specified easement area is indicated. The appraiser considers the effect on the remaining property. A ponding easement includes purchase of a specific right only. The appraisal is to recognize the value remaining as derived from the property rights not acquired. Property fence can usually be reconstructed along the right of way line, leaving the owner in protected physical possession of the ponding easement area. A fence berm along the right of way is normally constructed to facilitate fence construction.

  If a previous ponding agreement has been obtained from the property owner, the existing ponding area normally is not designated on the highway plans or summary sheet, but a copy of the agreement may be included in the parcel file. These prior agreements shall be considered an existing limitation to the rights of ownership. Care is to be exercised to avoid duplication of payment when considering the value of a subsequent acquisition.

  If only the proposed ponding elevation is indicated on the highway plan, the appraiser considers the property to be undamaged. In that case, ponding conditions which the property owner does not desire are eliminated during acquisition. Elimination of unwanted ponding easements should not be initiated by the appraiser.

- Permanent easements for road purposes

  When a permanent easement for road purposes is acquired, the method of appraising the property shall be same as if the acquisition were by fee title. Use of the easement area is assumed to be permanently lost to the remaining property.

- Permanent easements for special purposes

  Permanent easements are purchased for such special purposes as to construct and maintain a berm, backslope, drainage structure, or flowage. They may also be purchased for utility locations, scenic preservation, and other purposes. In these instances, the easement is for a single purpose and usually does not result in the total loss in value of the described area. Each easement of this type should be considered according to the individual purpose and limitations placed upon the property owner's future use of the affected area. Any fencing which may be required may be erected along the new right of way line.

13.3.23 Excess Land

It sometimes becomes necessary to acquire tracts of land in addition to what is required for the construction and maintenance of the highway. These tracts are known as excess land. Most commonly, this occurs when a tract of land is left without access (in other words, is landlocked) or is deemed an uneconomic remnant (is of little or no use or value to the owner). In each case, the Iowa DOT proposes to acquire the property. While all excess tracts are proposed to be acquired, if, during negotiations, the owner requests to keep the excess tract, the request is considered, provided the area is not required for mitigation or borrow. The landowner must provide access to these landlocked tracts. When excess land is encountered, a future right of way line needs to be established to denote that area that is required for construction and maintenance of the highway. The future right of way line is determined at the same time the other right of way for the project is established.

When excess land is proposed to be acquired, an excess land plat is generated. This standard form provides a graphic presentation of the excess area in addition to calculations for the total acquisition, right of way acquisition (required right of way to be retained), borrow area (if applicable), mitigation area (if applicable), and the excess acquisition area. This document is for internal use only and should not be included in the appraisal report.

13.3.24 Fencing

- Partial acquisitions: The appraiser does not consider loss of right of way fence as a damage item in precondemnation appraisals. Separate payments are made for replacement of existing fence and for construction of new fence along relocated highways. The appraiser does not consider any extra fencing damage—such as additional fence corners or water gap fencing along new right of way line—as these costs are also compensated separately. All other fence located within the area purchased whose utility is not replaced by conventional right of way fence shall be considered in the appraisal. This may include ornamental or special purpose fences and interior field, lot, or lane fencing.

Basis:
IC § 6B.44.

- Total acquisitions: On all total acquisitions, fence need not be separately valued. The fence should be considered as it contributes to the overall value of the property.

- Agency-erected fence: The agency constructs a line fence along freeway right of way. Such fence is maintained for access control purposes only. The adjacent owner is

permitted to use the fence as a property line fence; however, the owner must assume full responsibility for the restraint of livestock. If special fencing is required by the property owner, it is addressed during the acquisition process.

- Temporary fence: Any temporary fence that may be required during the period of highway construction is not considered as a part of the precondemnation appraisal. Such fence, when erected, is compensated for by the district. In appraising for condemnation or court appeal, the appraiser considers any temporary fence that may have been required.

13.3.25 Five-Year Sales History of the Property

The Uniform Act requires that the appraiser provide at least a five-year sales history of the property under appraisement. The appraiser is normally furnished with a Report of Record Ownership and Liens (Form 632-004) on all parcels that require the acquisition of a permanent right. This includes fee simple titles, permanent easements, access control, ponding easements, flowage easements, and parcels that have borrow areas, haul roads, detours, and temporary easement parcels that involve potential for considerable damages.

The purpose of this document is to enable the Iowa DOT (and the appraiser) to identify sales of the subject property and whether the property benefited or increased in value in anticipation of the impending project. This information may also provide advance notice of the existence of a lease arrangement.

During the interview with the property owner, the appraiser should confirm the accuracy of the five-year chain of title shown on the Report of Record Ownership and Liens (Form 632-004). This same title search information could provide advance notice of the existence of a sham lease. In the case of a lease, the appraiser should research how the property has been owned and leased, how the property is or has been used or occupied, and what economic relationship exists or existed between the owner and tenant.

The appraiser should report suspicion of a sham lease to the appraiser.

Basis:

Socony-Oil Vacuum v. State, 170 N.W. 2d 378 (Iowa 1969); City of Des Moines v. Housby-Mack, Inc, 6876 N.W. 2d 551 (Iowa 2004).

13.3.26 Haul Roads: See “Easements.”

13.3.27 Hazardous Substances and Contamination

These are defined as contaminants of buildings and/or land which are recognized as potentially hazardous to public health or safety. These materials may include, but are not limited to: asbestos, petroleum, farm and industrial chemicals, and urea formaldehyde foam insulation (UFFI). The appraiser is to note any suspected presence of contaminants and immediately notify the appraiser.

The appraiser should be especially aware of the implications of ground stains; lack of vegetation; underground storage tank filler caps and vents; and improper storage or disposal of chemical bottles, cans, and drums.

- Underground gasoline and oil tanks

  The appraiser is to identify the age, condition, location, size, and contents of tanks present, if possible. The appraiser is to be notified immediately of the existence of a tank. The Iowa DOT ascertains whether the tanks are a contaminant. Legal tanks are registered with the Iowa Department of Natural Resources (DNR). Illegal tanks are subject to fine by the DNR.

- Asbestos

  The appraiser identifies the type, location, and condition (friability), if possible. Asbestos is most commonly found in furnace and pipe wrap, house siding, floor tile, and sound absorption sprayed ceiling texture.

  The following information is provided by the Environmental Protection Agency (EPA) as a part of their notification policy on asbestos removal.

  - Parcel number
  - Property address
  - Description and type
  - Size or amount
  - Age
  - Previous use
  - Present use

- Chemical waste

  The appraiser is to note any chemical disposal sites or spill areas and, if possible, identify the chemical. These may include old barrel storage areas and improperly disposed of chemical cans in farm dump sites. The appraiser is to be immediately notified of their existence.

Warning: The appraiser is to take proper precautions when inspecting properties with suspected chemical or asbestos contamination. The appraiser is not expected to be an expert in this field; thus, the they should exercise self-protection in situations in which it is possible to inhale or come into physical contact with dangerous substances.

Neither the liability for contamination nor its reasonable cleanup costs can be considered by the appraiser until they have been established in a legal proceeding brought by the DNR or by the acquiring authority as required by law.

Basis:
IC 455B.381 through 399; Aladdin, Inc. v. Black Hawk County, 562 N.W.2d 608 (Iowa 1997).

In the scope of work, the appraiser is instructed to appraise the property to be acquired “as if free and clear of contamination” unless otherwise specified. In those cases where the property has been identified as being contaminated by the Iowa DOT or DNR, the appraiser may invoke a hypothetical condition.

When the appraiser observes any of the conditions cited above, they should use an extraordinary assumption in order to complete the appraisal assignment.

13.3.28 Inspection of Subject Property

When preparing an appraisal prior to inspecting the subject property, the owner or owner's designated representative shall be given an opportunity to accompany the appraiser during the appraiser's inspection unless the owner cannot be located. (See page 9, “Statement of Property Owners’ Rights.”)

The appraiser conducts the inspection in a manner that fully reveals and yields the data needed to properly complete the appraisal. All buildings that are included in the proposed acquisition or that will be substantially affected are entered for inspection. This inspection includes viewing all required portions of the property, making necessary measurements, and taking applicable photographs. The inspection is conducted in a manner that avoids any unnecessary disturbance of livestock, crops, operations of business, customers, etc.

In the case of a leased property (except residential month-to-month and annual farm leaseholds), the appraiser should also interview the tenant. The tenant must be offered an opportunity to accompany the appraiser on a property inspection if the tenant-owned improvements are affected by the proposed acquisition or when it is determined that there is a leasehold interest.

If permission to inspect is denied, the appraisal supervisor should be notified, who determines the appropriate procedure to follow in completing the assignment.

13.3.29 Intended Use of the Appraisal Report

The intended use of appraisals prepared for the Iowa DOT is for the acquisition of right of way for projects to be constructed by the Iowa DOT with the assistance of Federal-aid highway funds. Appraisal reports with supporting data, analyses, conclusions, and opinions may serve as a basis for court testimony in eminent domain proceedings. The appraisal reports become public record after settlement with the property owner or at the conclusion of litigation.

13.3.30 Intended Users of the Appraisal Report

The Iowa DOT is the client, and intended users of appraisal reports include, but are not limited to, the property owner and property owner’s attorney, Iowa DOT personnel, attorneys with the State of Iowa Attorney General’s Office, and the Federal Highway Administration (FHWA).

13.3.31 Interim Use of Improvements

An interim use is the temporary use of an improvement to generate income during the period preceding redevelopment. When the value of a tract, as if vacant, exceeds or equals the value as currently improved, a change in use must be considered probable. If redevelopment is imminent, the value of improvements is normally negative and equal to the difference of their cost to remove and their salvage value. If redevelopment is postponed, some consideration must be given to income that may be generated through the interim rental of improvements.

13.3.32 Landlocked Tracts

A tract is considered landlocked when it is severed from existing access by an acquisition to which no alternative access is to be provided. When the file data indicates that a landlocked tract will be acquired and the owner expresses a desire to retain the area, this information

should be brought to the attention of the appraiser. The appraisal is to reflect the access status of a tract as reflected on the project plans and property plat.

13.3.33 Legal Descriptions

Legal descriptions typically take the form of one of the following:

- Rectangular grid system or government system

  This system was authorized by the Continental Congress in 1785 and by subsequent congressional acts. This system is in use today in 30 of 50 states, including Iowa.

  Land is divided into townships that are approximately six miles square. Each township normally contains 36 sections and each section normally contains 640 acres. This is the most typical rural legal description in Iowa.

- Lot and block system

  This system, including subdivision plats, was developed as an outgrowth of the rectangular survey system. It is used to simplify the locational descriptions of small parcels. This system is the most typical urban legal description in Iowa.

- Monuments

  This is a legal description by reference to natural or manmade objects. If monuments are permanently fixed and unequivocally identifiable, description by monuments is satisfactory. Monuments are found in some Iowa rural areas.

- Metes and bounds

  Metes and bounds is a description of a parcel of land by reference to the courses (angles east or west of due north or due south) and distances (usually in feet or chains) of each straight line which forms a boundary, with one of the corners tied to an established point, such as a section corner or the intersection of centerlines of two roads. In Iowa, it is normally used in conjunction with a government system or lot and block description.

- Land grant description

  A land grant description is a description of land resulting from French or Spanish land grants. These areas are exempted from the government system and exhibit descriptions similar to metes and bounds descriptions. A few areas of this type can be found in Iowa.

- Recorded plat

  A recorded plat is a description of a parcel of land by reference to a survey plat that has been filed in the Office of the County Recorder.

13.3.34 Livestock Passes

On projects where an existing livestock pass is not replaced, the appraiser considers whether this loss affects the value of the remainder. If a drainage structure is used as a stock pass, the appraiser does not consider the loss as a compensable item of damage unless instruction is provided to the contrary. Property owner requests for new stock passes are deferred and addressed during the acquisition process.

The Iowa DOT maintains all stock pass structures, but is not responsible for the maintenance of approaches or clearing of passageways.

13.3.35 Liquid Petroleum (LP) Tanks

Liquid petroleum tanks located within the proposed acquisition area or which serve improvements to be acquired must be researched as to ownership.

Where a petroleum system, including the storage tanks, is put to the same use as the realty and the owner intended to make the system a permanent part of the real estate, a liquid petroleum tank is considered real estate, not personal property.

Basis:
Young v. Iowa Department of Transportation, 490 N.W.2d 554 (Iowa 1992).

If the tanks are leased and are not included with the real estate, they are identified as such and the lessor is named. Any other items, such as satellite dishes, yard ornamentations, etc., that are not considered part of the real estate must be clearly identified in the appraisal report.

13.3.36 Machinery and Equipment

Identification criteria involved in machinery and equipment appraisals include:

- Machine unit data: manufacturer's name, location, and specifications; serial and model numbers; size or capacity; machine name; standard or auxiliary attachments; drive arrangement type; etc.
- Prime mover data: electric, hydraulic, pneumatic, steam, etc.
- Installation data: controls, millwright work, foundations, etc.
- Owner's identification or inventory number
- Record data: physical, functional, economic
- Ownership

13.3.37 Mailing Address

Lessor and lessee names and mailing addresses are listed on Forms 633-101, 633-401, or a page attached thereto. In the case of multiple owners, all names and addresses, if available, must be reported in the appraisal. When the appraiser is unable to secure an owner or tenant’s name or address, they should report that information to the senior appraiser and document it in the appraisal report.

Property addresses must identify a street, avenue, or rural route number, as a post office box number cannot be served in the event of a condemnation proceeding. Continue to indicate post

office box numbers as applicable together with properly numbered streets, avenues, or rural route addresses. Applicable zip code numbers must also be secured and identified.

13.3.38 Mineral Deposits

Iowa does not follow the unit rule in valuing a mineral deposit. It is improper to calculate damages to the owner of a mineral interest right by multiplying the amount of minerals by the royalty figure or market price.

Basis:
Bowser v. Iowa Department of Transportation, 504 N.W.2d 632 (Iowa 1993).

However, the amount and value of recoverable mineral deposits are proper and necessary elements to be considered in determining the before and after value of the mineral leasehold.

Basis:
Lehigh Clay Products, Ltd. v. Iowa Department of Transportation, 512 N.W.2d 541 (Iowa 1994).

13.3.39 Minimum Payment

Appraisals do not recommend a minimum payment or damage, but do reflect the appraiser's estimate of compensation due.

13.3.40 Mitigation of Damages

When the parcel file data or highway plans indicate that the purpose of the construction is for the specific use and benefit of the subject property, such construction can be considered in the valuation process, but only to the extent that it may offset severance damage to a remainder. Examples include entrance construction, ponding easements, and flowage easements.

13.3.41 Noncompensable Items

An acquisition in which the use of eminent domain is a possibility is a proceeding to acquire real property. It is not a proceeding against the owner of the property. In the case of a partial acquisition, payment of the difference between the before and after value of the property justly compensates the owner for all compensable damages caused to the remaining real property.

The Iowa Supreme Court has considered and rejected a number of claims for damages that, if paid, would provide either double or duplicate recovery or which do not damage remaining real property. Therefore, they are noncompensable.

A number of damage items have been held by courts to be generally noncompensable. Following is a list of such items which the appraiser shall not consider.

- Loss of anticipated profits or increase in operating expenses

Basis:
Kurth v. Iowa Department of Transportation, 628 N.W.2d 1 (Iowa 2001); City of Des Moines v. McCune, 487 N.W.2d 83 (Iowa 1992); City of Des Moines v. Wizer, Inc., 446 N.W.2d 289 (Iowa 1989); Nedrow v. Michigan-Wisconsin Pipeline Co., 61 N.W.2d 687 (Iowa 1953);

Johnson County Broadcasting Corp. v. Iowa State Highway Commission, 256 Iowa 1251, 130 N.W.2d 707 (Iowa 1964); Wilson v. Iowa State Highway Commission, 249 Iowa 994, 90 N.W.2d 161,169 (Iowa 1958).

- Loss of goodwill in business (state does not acquire business interest)

Basis:
Kurth v. Iowa Department of Transportation, 628 N.W.2d 1 (Iowa 2001); Post-Newsweek Cable, Inc. v. Board of Review, 497 N.W.2d 810 (Iowa 1993); *Nichols on Eminent Domain*, Vol. 4, § 13.13[2]; Am. Jur. 2d. Eminent Domain, § 335.

- Inconvenience during construction, including temporary loss of business

Basis:
Wilson v. Iowa State Highway Commission, 249 Iowa 994, 90 N.W.2d 161,169 (Iowa 1958); Blank v. Iowa State Highway Commission, 252 Iowa 1128, 109 N.W.2d 713 (Iowa 1961).

- Loss of sentimental value

Basis:
Iowa Civil Jury Instructions 2500.4; Nidy and Company v. State, 189 N.W.2d 583 (Iowa 1971); Stortenbecker v. Iowa Power & Light Co., 96 N.W.2d 468 (Iowa 1959); Hamer v. Iowa State Highway Commission, 98 N.W.2d 746 (Iowa 1959).

- Change in volume or rerouting of highway traffic

Basis:
Grove & Burke, Inc. v. City of Fort Dodge, 469 N.W.2d 703 (Iowa 1991); Wilson v. Iowa State Highway Commission, 249 Iowa 994, 90 N.W.2d 161 (Iowa 1958).

- Construction of only median or dividing strips to control traffic

Basis:
Simkins v. City of Davenport, 232 N.W.2d 561 (Iowa 1975).

- Loss of any existing private use of a portion of highway or established right of way

Basis:
Richardson v. Derry, 284 N.W. 82 (Iowa 1939).

- Loss or cost of removing improvements located on present established right of way, except where such use is allowed by prior contract, deed, or condemnation reservation

Basis:
Richardson v. Derry, 284 N.W. 82 (Iowa 1939); DePenning v. Iowa Power & Light Co., 33 N.W.2d 503 (Iowa 1948); Fanning v. Mapco, Inc., 181 N.W.2d 190 (Iowa 1970); Moran v. Iowa State Highway Commission, 274 N.W. 59 (Iowa 1937).

- Circuity of travel

Basis:

Hinrichs v. ISHC, 152 N.W.2d 248 (Iowa 1967); Nelson v. Iowa State Highway Commission, 253 Iowa 1248, 115 N.W.2d 695 (Iowa 1962); Warren v. Iowa State Highway Commission, 250 Iowa 473, 93 N.W.2d 60 (Iowa 1958).

- Any injury suffered in common with the community and not peculiar to the subject property

Basis:

Hinrichs v. ISHC, 152 N.W.2d 248 (Iowa 1967); Nadler v. City of Mason City, 387 N.W.2d 587 (Iowa 1986).

- Damage items considered to be remote, speculative, or contingent

Basis:

Randell v. Iowa State Highway Commission, 241 N.W. 685 (Iowa 1932).

- Denial of access to a newly created highway that did not previously exist

Basis:

Lehman v. Iowa State Highway Commission, 251 Iowa 77, 99 N.W.2d 404 (Iowa 1959).

- Owner's inability to locate an acceptable substitute property or location

Basis:

City of Des Moines v. Wizer, Inc., 446 N.W.2d 289 (Iowa 1989).

- Loss, damage, or reduction in value of personal property and moving payments. (See page 58, "Relocation Assistance and Payments.")

Basis:

Interstate Finance Co. v. Iowa City, 149 N.W.2d 308 (Iowa 1967); Nidy and Company v. State, 189 N.W.2d 583 (Iowa 1971); Cahill v. Cedar County, Iowa, 367 F. Supp. 39 (N.D. Iowa 1973); IC § 316.2(3); IC § 6B.42.

As part of the appraiser's analysis of the appraisal problem, the appraiser considers all potential items of damage. The appraiser determines if a potential claim for damages to remaining real property has been considered and compensated in the after value or in the value of remaining land. The appraiser also considers whether the potential claim for damages would either allow duplicative recovery or would make payment for noncompensable items of damage.

13.3.42 Personal Property

It is important to have a good understanding of which items are considered personal property and which are considered the real property to be acquired.

It is important to avoid situations in which an item is included in the appraised value and subsequently also relocated at Iowa DOT expense. The personal property items included in the appraisal should be listed in the appraisal report.

It is critical that an understanding be reached among the Appraisal, Relocation, and Acquisition Sections before problems develop. Upfront planning and communication is very important to ensure a quality appraisal, successful negotiations, and relocation activities that are in the best interest of the property owner. Typically, Relocation Assistance reimburses the owner for the cost of moving personal property.

Basis:
49 CFR § 24.103(a)(2)(i) and Appendix § 24.103(a)(1).

Iowa law is not very clear about the distinction between personal and real property. In general, a fixture or piece of equipment is considered to be real property if:

- Its removal would be injurious to the structural integrity of the building, structure, or other permanent improvement; or
- A typical buyer of the real property would consider the item to be part of the real property.

13.3.43 Ponding: See "Easements."

13.3.44 Property Unit/Larger Parcel/Parent Tract (Synonymous Terms)

The owner of each eminent domain parcel is entitled to a separate award. Public acquisition authorities that exercise the powers of eminent domain are bound by the Constitution and statutes to offer to pay just compensation. Landowners are entitled to be paid not only for the land or property rights acquired, but also for damages caused to the remaining property. The purpose of the damage to a remaining property element of just compensation is to make the property owner whole by compensating for the injury to the entire property.

The appraiser must consider all the capabilities of the property as to the business or use to which the property has been devoted as well as any and every use to which it may reasonably be adapted or applied.

The larger leasehold or operating unit parcel incorporates all contiguous real estate, or real estate in reasonable proximity thereto, that is under the same ownership or leasehold and is operated as an assembled economic unit. To do so, the appraiser must consider:

- If the tract being acquired, either in whole or in part, has an enhanced or special value because of its use as a part of the assembled economic unit that cannot be readily replaced by the owners' purchase of a replacement tract; or,
- Alternatively, if tracts not being acquired lose any special value as part of an assembled economic unit that cannot be readily replaced by purchase of a tract similar to the tract being acquired.

If either consideration is the case, the appraiser and appraisal reviewer must each include an allocation of value to the various tracts in their respective reports.

In determining the larger parcel or parent tract, roads and physical separations do not alone prevent noncontiguous tracts from being a single eminent domain parcel. Two tracts separated by a highway but devoted to one actual and permanent use are considered one parcel for eminent domain purposes.

The appraiser must consider how the parcel is being used in order to determine the entire or remaining parcel. If the property being acquired is being used along with other property as an assembled economic unit, it is effectively owned and operated by the same person or entity, and the properties that constitute an economic unit have a special value because of their unified use. They collectively constitute the larger parent tract, or “before parcel.”

They are considered one parcel even if one of the tracts of a leasehold or operating unit is being purchased from a third party on contract as long as all the tracts are being operated as an assembled economic unit. The fee owner is holding title as security for the payment of the purchase price by the contract buyer. Thus, the fee owner holds an interest in the form of a lien. The fact that the acquiring authority must use a separate transfer document to obtain the signature from the contract seller does not change this result.

Two spouses are considered one entity with respect to property ownership. All properties that are recorded as owned by them either individually or in combination and are operated as a single unit are considered one parcel.

For eminent domain purposes, a business operating on three tracts—where two tracts are in the name of one spouse and the third is in the name of both spouses—is considered one parcel.

Basis:
Crist v. Iowa State Highway Commission, 123 N.W.2d 424 (Iowa 1963).

An assembled economic unit is an eminent domain parcel, even when the ownership interest in one of the tracts is limited to a lease.

Basis:
Wilkes v. Iowa State Highway Commission, 172 N.W.2d 790 (Iowa 1969); Estelle v. Iowa State Highway Commission, 119 N.W.2d 900 (Iowa 1963).

Areas which are considered wetlands, forests, conservation areas, etc., and/or are identified as environmentally sensitive lands where development is restricted, may or may not be considered separate parcels. All elements of the restricted use must be considered. Sometimes these lands may be incorporated in a development plan to yield a higher density of development for adjacent developable land.

Basis:
IC § 314.23.

A legal description of the part of a property being acquired for the project (the design parcel) may be considered as the parcel in the case of temporary and minor acquisitions.

In instances where the extent of the property unit is unclear, the appraiser may provide instructions as to what constitutes the property unit.

13.3.45 Public Utility Lines

The required relocation of water, gas, sewer, or electric lines owned by a utility company or public body and located in existing or future right of way is not considered in the appraisal.

13.3.46 Relocation Assistance and Payments

Relocation assistance and payments are provided pursuant to IC 316. Iowa eminent domain acquisitions that involve the displacement of persons must also provide relocation assistance, as required by IC § 6B.42. This is required regardless of whether the project is funded either by federal, state, or local funding, or any combination thereof.

In order to prevent unjust enrichment or duplication of payments, there should be no consideration in the appraisal of items and situations covered by relocation assistance.

The appraiser should have a basic understanding of the scope of costs that are covered by the Iowa DOT's Relocation Assistance Program.

Although the Office of Right of Way *Acquisition and Relocation Manual* and/or relocation assistance supervisor should be consulted for an in-depth discussion of the program, none of the following relocation assistance costs should be considered in the appraisal report.

Moving and moving-related expenses:

- The actual, reasonable, and necessary costs to disconnect, move, and reconnect personal property
- Payment for actual, direct loss of tangible personal property; generally, this is personal property made obsolete because of the acquisition, where the value in place is less than the cost to move
- The purchase of substitute personal property, storage expenses for personal property, business reestablishment expenses, and expenses incurred in searching for a replacement property

Replacement housing costs for homeowner occupants:

- The supplemental payment which, when added to the amount paid for the acquired residence, is equal to the reasonable cost of a comparable replacement residence
- Increased interest costs
- Actual, reasonable, and necessary expenses incidental to the purchase of a replacement residence; incidental expenses associated with the acquired residence are also paid by the Iowa DOT, but not under the Relocation Assistance Program

Replacement housing costs for tenant occupants and certain others:

- The supplemental payment which, when added to the monthly rent paid for the acquired residence—times 42 months—is equal to the reasonable rental cost for a comparable rental unit (with certain caveats); or
- A payment to make a down payment for the purchase of a qualifying residence

For specifics, see the Office of Right of Way *Acquisition and Relocation Manual*. For additional clarification or further information, contact the appraiser.

13.3.47 Residential Portion

The appraiser or review appraiser may be requested by the relocation assistance supervisor to determine the estimated acquisition cost of a displacement dwelling. This most often occurs

when an owner resides in a mixed-use or multifamily property. The appraiser is no longer to estimate the value of residential portion of the acquisition (building, septic system, and well) on a typical lot. The appraiser must determine "that portion of the acquisition payment which is actually attributable to the displacement dwelling."

If the displacement property is appraised and acquired based on a highest and best use other than residential (such as vacant commercial), the acquisition price of the residential portion is the per unit price applied to the square footage that is considered to be typical for a residential site.

Examples:

- The displacement dwelling is located on a 30,000 square foot lot that is appraised based on the determination that the property has a highest and best use for vacant commercial development and is purchased for $3.00 per square foot. Also, the typical residential site size in the area is 10,000 square feet. The acquisition price of the residential portion in this case would be 10,000 (square feet) times $3.00 per square foot, or $30,000.

- The displacement dwelling is part of a commercial building which is valued at $25 per square foot of building, including land. Assume, for example, that the value of the residential portion is determined by multiplying the residential square footage by the determined per square foot value of $25. The displacement dwelling contains 1,000 square feet and is a part of a commercial building containing 5,000 square feet. The total building value, at $25 per square foot of building (including land), is $125,000. The value of the residential portion is $25,000.

If you are unsure of any of these determinations, consult with the appraiser or the relocation assistance supervisor.

13.3.48 Revisions (Design and Title)

When minor changes in the right of way or construction design are desired, parcel division is required, or a change in ownership is reported, the appraiser shall file a Form 633-021, Request for Right of Way Design Revision, with the right of way design supervisor. The request should be supported by explanatory materials.

13.3.49 Rounding of Values

Appraisers should minimize rounding within the calculations of an individual approach to value. However, the final value estimate should reflect a reasonable degree of rounding. The conclusion of value should reflect common pricing practices in the market area for that type of property (i.e., do not use hundreds, tens, ones, or cents as the rounding point unless the typical market sales indicate that this is, in fact, where purchasers are themselves rounding).

13.3.50 Septic System

In any situation where the proposed right of way acquisition, either permanent or temporary, interferes with the function of a septic system, the appraiser is to determine and document the necessity and degree of cure required. The appraiser investigates local health rules, interviews the local health officer, and documents the position utilized.

The Iowa DOT does not assume responsibility for nor pay damages to correct illegal septic systems. The state of Iowa should not be held financially responsible for costs to bring systems into compliance if the systems are illegal or nonconforming under current regulations.

Any cost to cure for a legal, conforming system is documented by a detailed contractor's estimate and clearly stated within the appraisal report. This estimate becomes a maximum amount to be paid by the agency for correction of the septic system. The owner is reimbursed for actual costs upon receipt by the agency of a contractor's statement following completion of the cost to cure.

Each septic system situation must be considered on an individual basis, as determined by the appraiser. Advice and assistance is provided as required in order to seek an appropriate solution.

13.3.51 Title and Ownership Verification

Ownership and leasehold data furnished to the appraiser in parcel files may be incomplete or outdated. The appraiser has the responsibility to determine the true extent of the unit that is appraised and provide a complete and accurate listing of the title holders and lessees and their addresses. This can best be accomplished during the interview with the property owner and/or operator. If the unit or title is different from that furnished in the parcel files, the appraiser secures the proper data from available records. This data is to be delivered to the right of way design supervisor for use in correcting office records. If the appraiser has any doubt as to what constitutes the property unit, the senior appraiser should be consulted before proceeding with the appraisal.

13.3.52 Underground Lines

All privately owned water lines, utility lines, or other service lines crossing an existing primary road, county road, or city street right of way, either with or without a permit, shall be relocated at the owner's expense. This includes crossing lines which lie in the additional right of way to be acquired.

Where the lines lie totally on private property approximately parallel to the existing right of way, their acquisition shall be considered to be an element of damage, and compensation may be based upon a cost to cure to relocate.

Where a relocated highway crosses existing private lines, and when regulations permit such continued line crossing, the cost of relaying lines in compliance with Iowa DOT specifications shall be considered an element of damage. If it is not possible to allow the lines to remain or be reestablished, the damages caused by their loss shall be considered.

Privately owned underground lines located in temporary easement areas shall be compensable based on a cost to cure if they are damaged.

13.3.53 Uneconomic Remnant

An uneconomic remnant is defined in IC § 6B.54 as “a parcel of real property in which the owner is left with an interest after the partial acquisition of the owner’s property, and which the acquiring agency has determined has little or no value to the owner.”

A tract is considered to be an uneconomic remnant if it is not economically feasible to continue the use of the tract by itself or as a part of a larger, separated remainder because of its size, shape, access, change of use, or other detrimental characteristics resulting from the acquisition.

The determination may be made during the design, appraisal, or acquisition activities of the right of way process.

The appraiser or review appraiser should notify the appraiser or the appraisal production coordinator when a potential uneconomic remnant is found. The Right of Way director is informed, and the decision of whether to offer to acquire the remnant is made, except when the decision would conflict with or compromise the provisions of other federal or state laws or regulations.

If a remainder or part of a remainder is determined to be an uneconomic remnant, revised property plats are be furnished to the appraiser and placed in the parcel file. (Also see “Excess Land” on page 47.)

13.3.54 Units of Comparison (Taxable Acres)

Units of comparison are the components into which a property may be divided for purposes of comparison. The Iowa DOT Design Section furnishes property areas based on county assessor’s calculations that are expressed in terms of taxable acres or taxable square footage.

In the analysis of sales of comparable properties, the appraiser should express sale prices in terms of the appropriate sale price per taxable acre or taxable square foot.

13.3.55 Valuation of Minor Items

One area of significant difficulty in appraisal of partial acquisitions is the valuation of minor items. When determining the value of any real property improvements to be acquired, the appraiser is to value those items that contribute to the overall value of the property. With some real property items, the item's cost (less depreciation) can be a valid measure of the contributory value.

Properties with varying numbers of trees do not sell for amounts in direct relationship to the difference in the number of trees. Differences in landscaping, unless they are highly significant (such as a property with no landscaping as compared to a property with beautiful, manicured, professional site improvements), are frequently not recognized by the market. It is often difficult to measure the contributory value of various items of landscaping.

The cost of a replacement tree (or other landscaping or type of site improvement) of equal size and growth installed on remainder property, as determined from a nursery, is generally not a reasonable measure of a tree's value in place. When an improvement whose value is enhanced by the trees or landscaping is acquired, the trees or landscaping may have no recognizable value standing alone after the acquisition.

The value of trees or landscaping is ultimately supported primarily by the appraiser’s experience, sound judgment, and reason.

13.3.56 Wagon, Tractor, and Stock Passes

When acquired and not replaced in new construction, passes shall be valued as to their contribution to the market value of the property before the acquisition. Passes are not typically included in new construction, except as an alternate use of a necessary drainage or bridge structure. New passes may be constructed only at no cost to the state.

13.3.57 Wells, Primary

When a well that is the primary water supply for the subject site is to be acquired or otherwise rendered unusable by the right of way acquisition, the appraisal is conducted on a cost-to-cure basis.

A well contractor is hired to test the capacity of the well and the quality of the water. The contractor determines the gallons pumped per minute. A water sample is taken and sent to a qualified laboratory to determine bacterial and nitrate levels. The intent is to have a benchmark for a new water source. This should help to reduce the number of claims of poor quality or low water volume in a new replacement well. The charges for the two tests completed by the well contractor can be submitted to the Iowa DOT for payment.

13.3.58 Wells, Secondary

If the property appraised has more than one well and the well acquired is a secondary water supply, the appraiser must determine whether the remaining water supply is adequate for the continued use of the remainder property. If the water supply is not adequate, the appraisal is based on the cost to cure to replace the well with one that produces potable water in sufficient quantity to supply the needs of the remainder property. If the remaining water supply is adequate, the appraisal only includes the contributory value of the well acquired.

Chapter 14 Appraisal Review

14.1 Purpose

The purpose of this chapter is to define in detail key concepts that are associated with appraisal reviews and to thoroughly describe the procedure by which an appraisal review is performed, as well as who performs and oversees the procedure.

14.2 Definitions

- Appraisal review

  An appraisal review is an examination and determination by a review appraiser that the form and content of an appraisal conforms to the requirements of law, rule, and this manual. An appraisal review also determines that estimates of market value and just compensation are comprehensive, supported by the real estate or personal property market data, and that they are a reasonable compensation for loss in property value and/or damages. The review may include an independent analysis of data from submitted appraisal report(s) and other gathered data that reaches an independent estimate of fair and reasonable just compensation. When completed by a staff review appraiser, the finding is also a final determination of the amount to be offered by the agency as just compensation.

- Review appraiser

  A review appraiser is an individual with the agency-delegated administrative responsibility to ascertain final determinations, to accept appraisals, to approve appraisal estimates of just compensation, and, if the review appraiser is an agency review appraiser, to establish an amount to be offered by the agency as just compensation.

14.3 Function and Purpose of Review

14.3.1 Protect the Interests of the Public

A qualified review appraiser should examine all appraisals to estimate the amount to be offered by the agency as just compensation and to ensure that the appraisals are fair, reasonable, and meet applicable appraisal requirements.

14.3.2 Protect the Interests of the Property Owner

The review appraiser must also ensure the appraisal analysis is fair and reasonable as it relates to the effect of the proposed acquisition on the remaining property. This includes review that determines the existence of uneconomic remnants.

14.3.3 Provide an Approved Estimate of Just Compensation

An Iowa DOT review appraiser, local public agency review appraiser, or administrator using appraisals and other data as required shall establish an estimate of just compensation to be offered for the purchase of property under eminent domain.

14.3.4 Provide Consistency of Values

In projects involving multiple properties or ownerships, the review appraiser is to maintain a logical consistency from property to property in the amounts paid for land, improvements, and damages. Of special concern are projects using more than one appraiser and the differences resulting from independent analyses of neighboring properties.

14.3.5 Maintain a High Quality Appraisal Product

Prior to the acceptance of an appraisal, the review appraiser requests that the appraiser make all necessary corrections and revisions. The review appraiser may provide technical advice and instruction or other training in order to improve the appraiser's technique and ability. The review appraiser may recommend reference materials or courses of study to improve an appraiser's product. At the conclusion of a project, the review appraiser issues a written critique of the appraiser's performance as an aid to the appraiser and to the agency administration.

14.4 Review Appraiser’s Duties

14.4.1 Report Review and Acceptance

The review appraiser independently performs a review of all appraisals and other submitted reports to determine the soundness of the appraiser's opinion of fair market value, to ascertain the adequacy of the appraiser's supporting data and documentation, to examine the logic of the appraiser's analysis, to establish whether the appraisal report conforms to the provisions of this manual, to decide if adequate consideration was given to all compensable items of damage, and to verify the exclusion of items that are noncompensable under Iowa law.

The appraisal review function consists of an all-inclusive evaluation of appraisals. Factually presented data and calculations may be spot-checked for accuracy (sometimes by a subordinate technician). Appraisal reports are to be critically evaluated in all respects, with validity and reasonableness of the estimate of just compensation being a principal focal point. Subject properties should be inspected by the review appraiser along with the comparable sales and other data presented in the appraisal report.

If additional documentation, correction, or revision to an appraisal report is required, the review appraiser may return the appraisal report and require the appraiser to make the appropriate changes before resubmitting for continued review. When returning the appraisal report, the appraiser must be made clearly aware of the issues found by the review appraiser and must understand the clarifications, corrections, or additions requested. This may be done either by letter or verbally with a memo to file. If there is insufficient time to allow the appraiser to make changes, or when the review appraiser and appraiser are not in agreement, the review appraiser shall provide the corrections or additions necessary as part of the written review.

The review appraiser shall reject, accept, or approve appraisals submitted and shall approve an estimate of just compensation for the property under appraisal. The approved value may be the same as or different from that of the appraisal report. When a different value from that of the appraisal is approved, the review appraiser’s report shall document the new estimate of value. The review appraiser may either accept all or parts of one or more of the submitted appraisal reports; they may reject the same, depending upon their independent findings and conclusions. The review appraiser may accept or reject the appraisal reports in total. When the reviewer establishes an independent value conclusion in lieu of approving the value conclusion of a

submitted appraisal report, the reviewer becomes the appraiser, but no subsequent independent appraisal review is required. The review appraiser discusses the appraisal deficiencies with the appraiser prior to establishing an independent value estimate.

14.4.2 Estimate of Just Compensation

An Iowa DOT review appraiser or local public agency review appraiser has the authority and responsibility to independently approve an estimate of just compensation for the acquisition of property.

The approved value may be the same as or different from that of the appraisal report. When a different value from that of an appraisal report is approved, the review report shall document a new estimate of just compensation.

On the basis of additional information, the reviewer may subsequently adjust the approved estimate of just compensation by preparing a new review report giving reasons for changes made. An appraisal prepared for property owners and submitted to the agency may also be considered when the review appraiser reconsiders the approved estimate of just compensation.

A contract review appraiser may provide appraisal acceptance and fair market value appraisal review determination, but the agency remains responsible for the final determination of the amount to be offered as just compensation.

14.4.3 Allocation of Just Compensation

The IC requires that the property owner be provided an "itemization of appraised value of real property or interest therein, any buildings thereon, all other improvements including fences, severance damages and loss of access." The review appraiser is to allocate an estimate of just compensation, concluded in a detailed appraisal (before and after) or a value finding appraisal, into the categories noted on Form 633-102, Allocation of Just Compensation. The allocation is to be based upon either the appraiser's conclusions and opinions as stated in the report or the review appraiser's interpretation of the market data.

This form must be completed by the review appraiser and included in all appraisal review reports that involve a partial acquisition. The total estimate of just compensation indicated on this form must be the same as that indicated on Form 633-101, Appraisal Report, or Form 633-401, Residential Appraisal Report.

The allocation of just compensation is not part of the appraisal process, but is to be completed after the appraisal is completed. The form serves to provide for statutory and accounting requirements.

Basis:
IC § 6B.45.

14.4.4 Written Review

The review appraiser shall prepare a written appraisal review for each parcel where an acquisition appraisal has been prepared. Form 633-501, Review Appraiser's Report, shall be used. All information requested by that form shall be furnished or indicated as not applicable.

Immediately following the written narrative portion of the report, the form shall be signed by the review appraiser and dated.

The review appraiser's report shall identify the appraisal reports that have been reviewed, document the findings and conclusions reached during the review process, and identify each appraisal report as rejected, accepted (i.e., it meets all requirements but is not selected as approved), or approved as the basis for the amount believed to be just compensation.

The review appraiser should not sign an approval box at any place on the acquisition appraisal. It should be noted that a signature at any place on the acquisition appraisal may hold that signatory fully responsible for the appraisal.

A signed and dated Certification of Review Appraiser (Form 633-502) shall be furnished on all appraised parcels.

When one of two or more appraisal estimates or a value different from that of any appraisal report is approved, the review appraiser's report shall explain the estimate of just compensation. If the review appraiser's own value is approved, the review appraiser shall prepare an Appraisal Review (Form 633-101), sign it as the review appraiser, and place a copy in both the office and field files. No subsequent review is required.

When written reviews are prepared, an original and one copy of the review report, together with a Certification, shall be furnished. The original copy is to be bound in the permanent office file and one copy placed in the field file and forwarded to the negotiator.

14.5 Suggested Appraisal Review Procedure

- Ensure that required forms, addenda, and exhibits are included.
- Ensure that calculations and mathematical procedures are correct.
- Physically examine the subject and all the primary market comparables cited.
- Analyze the data and conclusions for adequacy, logic, and procedure.
- Determine if the appraisal adequately addresses issues.
- Compare the documentation and report requirements with those in the appraisal.
- Verify that the manual requirements and contract instructions have been fulfilled.
- Determine if there are uneconomic remnants.
- Determine if any noncompensable items have been included in the report.
- Reach an independent opinion of the probable range of market value and just compensation that confirms or refutes the value(s) in the appraisal.
- Seek clarifications or corrections (return all copies of the appraisal).
- Reexamine the corrected appraisal.
- Examine specialty reports; check for sufficient identification for each item noted.
- Determine if a monetary duplication between the appraisal and specialty reports exists.
- Write the appraisal review confirming an amount to be offered as just compensation and noting the relationship between the specialty report and the appraisal. Complete a new Appraisal Report (Form 633-101), if required, to incorporate into the appraisal and specialty report.
- Complete the required appraisal review forms. When approving one of two or more appraisal reports, give specific reasoning for selection.
- Complete Form 633-102, Allocation of Just Compensation, for inclusion in the Review Appraiser's Report (Form 633-501).

- Prepare residential portion breakouts for use by Relocation Assistance and an estimate of economic rent, if requested.
- Transmit completed files to the party responsible for acquisition activities.
- Write the appraiser's critique, placing one copy in the appraisal project file and mailing one copy to the appraiser.
- Retain copies of review notes, reports, letters, and critiques for personal files.
- Retain copies of any item or document considered to be of crucial importance in the event that it is needed for future reference.

Chapter 15 Disadvantaged Business Enterprise Participation

15.1 Purpose

The purpose of this chapter is to discuss the Iowa DOT's goal of working with disadvantaged business enterprises (DBEs) in federally funded contracts and the process by which this goal can be achieved.

15.2 Procedure

The state of Iowa's annual goal for participation by DBEs in any federally funded contracts or projects for professional services is established by the director of the Iowa DOT Office of Contracts.

Recognizing that federally funded right of way acquisition contracts for appraisal services do not lend themselves to subcontracting, the following "good faith effort" procedure is required.

- Obtain names of qualified DBE appraisers from the Office of Contracts or advertise in general circulation, trade associations, and minority-focused media. If not on an approved list, the Office of Contracts and the Office of Right of Way must determine if DBE appraisers that respond to advertisements are qualified.
- Notify qualified DBE appraisers of any future contracts for appraisal services. Preferably, this should be on a personal basis (i.e., via telephone contact) and in sufficient time to allow the DBE to participate effectively.
- Solicit bids from these qualified DBE appraisers for each Federal-aid right of way project.
- Document all good faith effort procedures for each Federal-aid right of way project by creating copies of correspondence with and replies from the DBE in the project general file. This should include written notes to document personal or telephone contacts with any DBE.

This procedure replaces the need to set individual DBE goals on appraisal services for each project and replaces the need to request individual approvals from the Iowa DOT.

Cities with only an occasional federally funded appraisal service contract are to provide the Office of Local Systems with a letter, after appraisal contracts are awarded, certifying that they followed the good faith effort procedure and listing the actual dollar amount awarded for these services, as well as amounts (if any) awarded to DBEs.

Cities which may be continually involved in this process are to provide a Letter of Certification and actual amounts on a semiannual basis prior to March 31 and September 30. The letter should document individual Federal-aid right of way projects and actual total amounts awarded to qualified DBE appraisers.

Glossary

A

Abandonment.
1. The relinquishment of all rights and interests in real property without intention to reclaim. 2. A conveyance of a portion of a highway right of way or facility by a governmental agency to another party.

Acceptance.
1. The formal acceptance of a document by resolution. 2. The certificate of such Resolution. 3. With private parties, voluntarily agreeing to the terms of an offer.

Access.
This means to approach, to enter, and to exit property.

Access control.
Government's power to restrict or control a property owner's right to enter on and exit from a public road.

Acquisition.
The process of obtaining right of way by negotiation or eminent domain to construct or support a project.

Acre.
A land measurement equaling 160 square rods or 4,840 square yards or 43,560 square feet or 0.4047 hectares.

Actual direct loss of tangible personal property.
The payment made to a business or farm, as a result of a real estate acquisition, when the personal property owner elects not to move some of the personal property.

Administrator.
A person appointed by a probate court to settle a deceased person's affairs.

Adverse possession.
A claim made against the property of another by virtue of actual, continuous (for a time period established by statute), exclusive, notorious, hostile (the other ownership claimant has notice of the possession and its extent), open, and under claim of title.

Agreement.
A word used to describe a common opinion of two or more people regarding each party's rights and obligations related to the agreement.

Allocation.
1. The process of separating value into its components. 2. A method to opine land value by which improved property sales are analyzed to develop a typical land value to property value ratio with the ratio multiplied by the property being appraised or the comparable sales being analyzed.

Appeal.
The complaint to an appellate court of an injustice done or error committed by a trial or lower court, whose judgment or decision the appellate court is called on to correct or reverse.

Appraisal.
The act or process of developing a value opinion.

The Appraisal Foundation.
A not-for-profit educational organization to advance the appraisal profession. TAF develops and promulgates professional appraisal standards and appraiser qualifications.

Appraisal practice.
Valuation services performed by an individual acting as an appraiser, including, but not limited to, appraisal, appraisal review, or appraisal consulting.

Appraisal process.
A systematic procedure to address the client's valuation issue.

Appraisal report.
Any communication, written or oral, or an appraisal, appraisal review, or appraisal consulting service that is transmitted to the client upon completion of an assignment.

Appraisal review.
The process of developing and communicating a credible opinion as to the quality of another's appraiser's work.

Appraised value.
The appraiser's opinions and conclusions resulting from an assignment.

Appraiser.
A person who performs valuation services competently and in an independent, impartial, and unbiased manner.

Approach to value.
The three approaches to developing a value opinion: the cost approach, the income capitalization approach, and the sales comparison approach.

Approved appraisal.
The approval of an appraisal by an agency official before it is used by the agency as its just compensation offer.

Assignment.
The method by which a right or contract or property is transferred from one person to another.

Assignment results.
The appraiser's opinions and conclusions resulting from an assignment.

Attorney.
1. A person who is legally permitted to transact business on another's behalf. 2. A person who advises and represents clients as to legal rights and obligations.

Avigation easement.
The right granted by a property owner for the use of the airspace above a specific height for aircraft flight. The easement prohibits the property owner from using the land for structures, trees, signs, stacks, etc., higher than the altitude specified in the avigation easement. The degree of restriction will vary depending on the glide angle plane necessary for the safe use of an airfield's runway.

B

Backslope.
The portion of the roadway between the side drainage ditch and the top of the cut, usually measured as a ratio of horizontal distance to each foot of increase in elevation.

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

Benchmark.
1. A point of known elevation above sea level. 2. A bronze plate to serve as a reference point in running a line of levels for the determination of the elevations.

Benefits.
An increase in value to property not acquired but which benefits from the acquisition.

Berm.
1. The earthen or paved extension of the roadway, sometimes a shoulder. 2. A longitudinal mound of earth used to deflect water or a dike-like earthen structure formed by materials excavated from a shallow ditch that parallels and adjoins it, used to control surface drainage.

Borrow.
Suitable material from sources outside the roadway prism, used primarily for embankments.

Breakdown.
A method of estimating depreciation in which the total loss in property value is estimated by analyzing and measuring each cause of depreciation separately.

Broker.
A person licensed to engage in real estate business.

C

Capitalization.
The process of converting income into an opinion of value through the application of a rate.

Chain.
A surveying instrument consisting of 100 linked pieces of iron or steel and measuring 66 feet (20.1 meters).

Chain of title.
A history of conveyances and encumbrances affecting the title from the time the original patent was granted to the present time.

Code of Federal Regulations.
A document that codifies all rules of the executive departments and agencies of the federal government.

Comparable.
Properties used as comparisons to opine the value of a specific property.

Compensable damages.
Damages for which compensation must be paid under eminent domain.

Condemnation.
1. The process by which property is acquired for public purposes under the power of eminent domain following due process of law and on the payment of just compensation. 2. The act of a federal, state, county, or other government or district or public utility or corporation vested with the right of eminent domain to take private property for public use when a public necessity exists.

Consideration.
The inducement, generally monetary, that moves a party to enter into a contract.

Contaminant.
Any physical, chemical, biological, or radiological substance or matter that has an adverse effect on air, water, or soil.

Contamination.
Introduction of microorganisms, chemicals, toxic substances, waters, or wastewater in water, air, soil, and structures in concentrations that make the medium unfit for its intended use.

Contract.
A legally enforceable agreement between two or more people or parties.

Conveyance.
A written instrument by which a title, estate, or interest in property is transferred.

Cost approach.
1. One of three approaches to value. 2. A set of procedures by which a value indication is obtained by estimating the reproduction or replacement cost new of a structure, deducting depreciation from all causes, and adding the land value opinion.

Cost to cure.
The cost to restore an item of physical deterioration or functional obsolescence to near new or new condition.

Cross-section.
The land surface exposed by cutting at right angles to an axis.

Cut.
The removal of earth.

D

Damages.
In condemnation, the loss in value of the remainder property as a result of a partial taking. Generally, it is the difference between the value of the property before the acquisition and the value of the property after the acquisition.

Deed.
A written instrument, usually under seal, by which the ownership interests in real estate are transferred from one party to another.

Date of the report.
The date of the transmittal letter of a written report or the date a written report lacking a transmittal letter is prepared by the appraiser. The date of an oral report is the date it is communicated to or for the client. The date of the report may or may not be the same as the effective date of the appraisal.

Depreciation.
1. A loss of value from any cause. 2. Physical deterioration, functional obsolescence, and external obsolescence.

Deterioration.
Impairment of condition; one of the causes of depreciation and reflecting the loss in value brought about by wear and tear, disintegration, use in service, and action of the elements.

Donation.
The voluntary conveyance by the owner of private property to public ownership and use without compensation.

E

Easement.
A nonpossessory interest held by one person in property of another where the first person is accorded partial use of the property for a specific use. An easement restricts but does not abrogate the fee owner's rights to the use and enjoyment of the property.

Economic life.
The period over which an improvement contributes to property value.

Effective age.
The age of a structure based on its observed condition; physical, functional, and external.

Effective date.
The date at which the analysis, opinions, and advice in an appraisal, review, or consulting service apply.

Eminent domain.
The right or power of public and quasi-public agencies to take private property for public purposes.

Encumber.
To burden a parcel of land with a lien or charge (e.g., mortgage).

Encumbrance.
A charge, claim, liability, or lien attached to real property.

Escheat.
The reversion of property to the state in a case when an individual dies intestate and without heirs.

Estate.
A right or interest in property.

Executor.
A person designated in a will or appointed by the probate court to carry out the terms of a will.

Extraordinary assumption.
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

F

Fair market value.
The most probable price which a property should bring in a competitive and open market under conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales granted by anyone associated with the sale.

Federal Highway Administration.
A part of the federal Department of Transportation. The agency's mission is to create the world's best transportation system.

Fill.
The material used to build up land or to obtain a uniform grade.

Fixture.
An item that was once personal property but is now an integral part of the real estate.

Flow line.
The profile of the low point on the inside of a drainage structure or channel.

Functional obsolescence.
Impairment of functional capacity or efficiency.

G

Grade.
1. The degree of the slope of the land. 2. The slope of a surface, such as a lot or a road, with a vertical rise or fall expressed as a percentage of the horizontal distance. For example, a 3 percent grade means a rise of 3 feet per 100 feet of horizontal distance.

Grant.
A transfer of property or an interest in property.

Grantee.
1. One to whom property is conveyed. 2. The buyer.

Grantor.
1. One who conveys property. 2. The seller.

H

Hazardous materials.
Any material that poses a threat to human health and/or the environment. Typical hazardous substances are toxic, corrosive, ignitable, explosive, or chemically reactive.

Hectare.
A land measurement equaling 10,000 square meters or 2.471 acres.

Heir.
One who by operation of law inherits the property and especially the real property of a person who dies without leaving a valid will.

Highest and best use.
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, and financially feasible, and that results in the highest value.

I

Improvement.
A building or other structure permanently attached to the land.

Incidental expenses.
Under the Uniform Act, reimbursement for some settlement expenses that a residential property owner may receive after the purchase of a replacement dwelling.

Income capitalization approach.
1. One of three approaches to value. 2. A set of procedures by which income is converted into value through the application of a rate.

Instrument.
Any legal document (e.g., deed, lease, mortgage, will).

Intestate.
Without leaving a will.

J

Just compensation.
1. The compensation for property acquired under eminent domain that places a property owner in the same position as before the property is taken. It is usually the fair market value of the property acquired.

Jurisdictional exception.
An assignment condition that voids the force of a part or parts of USPAP, when compliance with part or parts of USPAP is contrary to law or public policy applicable to the assignment.

L

Land.
1. The earth's surface. 2. In an economic sense, one of the agents of factors of production. 3. In a legal sense, the solid part of the surface of the earth, as distinguished from water.

Land contract.
An installment contract for the sale of property. The seller (vendor) retains title until paid in full by the buyer (vendee).

Land surveyor.
A person whose occupation is to establish property boundary lines.

Landlocked tract.
A parcel of land surrounded entirely by privately owned land, without access to any type of public or private access. Often associated with the partial taking of land for highway purposes.

Larger parcel.
In condemnation, the portion of a property that has unity of ownership, contiguity, and unity of use, the conditions that establish the larger parcel for valuation purposes. In many jurisdictions, contiguity is sometimes subordinated to unity of ownership and unity of use.

Lease.
A contract where the owner transfers the right of possession and use of the real estate for a specified time period and on payment of consideration, usually rent.

Leasehold interest.
1. The right to possess, use, and quietly enjoy the real estate for the lease term. 2. The present (discounted) value of the difference between market rent and contract rent.

Lessee.
The party to who a lease is given in return for a consideration, usually rent.

Lessor.
The party who gives a lease in return for a consideration, usually rent.

Lien.
A hold or claim that one party has on the property of another (e.g., security for a debt or a charge, judgment, mortgage, tax, etc.).

Location.
1. Position with respect to human activities. Location is considered one of the basic elements contributing to the value of a property; and accessibility is the principal measure of the value of location. 2. The fixed position of the highway on the ground, including curves and tangents.

M

Market.
1. The place where people interact to sell and buy. 2. The area in which buyers and sellers of a commodity are in communication with one another.

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

Market value.
The most probable price which a property should bring in a competitive and open market under conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales granted by anyone associated with the sale.

Metes and bounds.
1. The limits and boundary of a tract of land. 2. Generally, a description that has a point of beginning and uses bearings (the angles east or west of due north or due south) and distances (usually in feet or chains or meters) to describe the perimeter of a tract of land.

Mitigation.
Measures taken to reduce adverse impacts on the environment.

Mitigation of damages.
A legal obligation to an injured party to attempt to minimize damages to property after an event or action.

Monument.
A visible, permanent object placed by a surveyor to establish the lines and boundaries of land.

Mortgage.
1. A pledge of real property as security for the payment of a debt. 2. A written document by which property is given as security for a debt with the right of redemption.

N

Necessity.
When used in relation to eminent domain, refers to reasonable necessity of the property for public purposes.

Negotiation.
1. The primary method used to acquire property. 2. The process by which two or more people resolve differences to reach a mutually acceptable agreement.

Negotiator.
A person who arranges or settles transactions by discussion and mutual agreement.

Neighborhood.
A group of complementary land uses.

Net operating income.
The estimated effective gross income less expenses (fixed, variable, and replacement allowances).

O

Obsolescence.
1. A loss in value due to defects in design, materials, workmanship, or external factors as measured by present standards. May be functional or external.

Offer.
An explicit proposal to contract which, if accepted, completes the contract and binds both the party that made the offer and the party accepting the offer to the terms of the contract.

Operating expenses.
The sum of all fixed and variable operating expenses and the replacement allowance cited in the appraiser's operating expense statement.

P

Parcel.
A piece of land of any size in one ownership.

Permanent easement.
1. An easement conveyed in perpetuity. 2. An easement that lasts forever.

Personal property.
1. Property that is movable. 2. Property that is not permanently attached to, or part of, the real estate. 3. Identifiable tangible objects that are considered by the general public as being "personal"; for example, furnishings, artworks, antiques, gems and jewelry, collectibles, machinery, and equipment. 4. All tangible property that is not classified as real estate.

Plaintiff.
A person who brings an action. In condemnation cases it is the condemnor.

Plat.
An individual property map that shows property lines and other features (e.g., buildings and topographic elements).

Police power.
1. The right of the government to restrict property rights to protect public health, safety, and welfare.

Price.
The amount asked, offered, or paid for a property.

Property.
Anything, real or personal, that is owned.

Property line.
The division between two parcels of land, or between a parcel of land and the street.

Proximity damage.
1. Damage to property arising as a consequence of the nearness or proximity of a project (e.g., highway) to the property. 2. The diminution in property value as a result of the proximity of a highway or other construction project to a property.

Public use.
A use benefitting the entire community.

R

Real estate.
1. An identified parcel or tract of land, including improvements, if any. 2. The physical land and attachments (e.g., buildings).

Real property.
1. The interests, benefits, and rights inherent in the ownership of real estate. 2. The bundle of rights.

Rectangular grid system.
1. The original rectangular system of subdividing public lands used by the federal government. The survey consists of a systematic numbering of square townships referenced to a principal meridian and accompanying base line. 2. A system of land division into townships, approximately six miles square, each township containing 36 sections and each section containing 640 acres.

Reestablishment expenses.
Under the Uniform Act, reimbursement of some expenses related to the relocation and reestablishment of a business, farm, or nonprofit organization when it is required to move as a result of a federally aided project.

Relocation assistance.
Advisory and financial aid assistance to residential occupants, businesses, farms, and nonprofit organizations displaced by a public program or project under the Uniform Act.

Remainder.
The portion of a parcel that is retained by the owner after a partial taking.

Remnant.
A remainder property of little value or use.

Rent.
The consideration paid for the use of property.

Replacement cost.
1. The cost to construct a structure of equivalent utility to the subject structure as of the effective date of the appraisal. 2. The cost to replace structural components.

Restriction.
The restrictions and prohibitions placed on the property owner from doing certain things relating to the property.

Reversion.
1. The right of the lessor to receive the property back at the end of the lease term or at the end of the holding period. 2. The lump sum benefit that the investor will receive at the end of the investment.

Right of access.
The right of ingress to and egress from one's property to a public road. The right may be actual or implied. Access is a private right as distinguishable from the public's right.

Right of way.
1. The right to pass across the lands of another. 2. Land or property, or an interest in land or property for transportation purposes (e.g., roads, public transport, utilities, etc.).

S

Sales comparison approach.
1. One of the three approaches to value. 2. A set of procedures by which a value indication is obtained by comparing properties that have sold recently to the property being appraised.

Salvage value.
1. The price of a structure or component that is removed from the premises. 2. An amount that represents the value in place minus the costs to disconnect, move, and reconnect.

Scale.
1. An indication of the relationship between the distances on a map and the corresponding actual distances. 2. A ruler.

Scope of work.
The amount and type of information researched and the analysis applied in an assignment.

Section.
A land measurement equaling one square mile or 640 acres.

Site.
Land that is ready to be used for a specific purpose.

Site improvements.
Improvements on and off a site that make it suitable for its intended use or development.

Special purpose property.
A property devoted to or available for a special purpose (e.g., school, museum, religious facility) but which does not have generally accepted independent marketability.

Specific requirements.
All or part of a Standards Rule of USPAP from which departure is permitted under certain limited conditions.

Specifications.
A general term covering all directions, provisions, and requirements contained within a specifications manual.

Subdivision.
A tract of land divided into blocks or lots.

Subsurface easement.
The right to use the space at a designated distance below the surface of the land as for access and flowage.

Supplemental standards.
Appraisal requirements issued by governmental agencies, government sponsored enterprises, or other entities that establish public policy which adds to the purpose, intent, and content of the requirements in USPAP, and that have a material effect on the development and reporting of assignment results.

Supply and demand.
A real estate principal that holds that price varies directly but not necessarily proportionally with demand and inversely but not necessarily proportionately with supply.

Surface easement.
The right to use the surface of the land as for access and flowage.

T

Taking.
The process of obtaining right of way by negotiation or through eminent domain to construct or support a project.

Temporary easement.
An easement granted for a specific use for a limited time.

Tenant.
One who holds possession of the real estate of another.

Title.
1. The evidence of a person's right to own or possess property. 2. The quality of ownership as determined by a body of facts and events.

Title search.
An investigation of public records and documents to ascertain the history and present status of title to a property, including ownership, liens, charges, encumbrances, and other interests.

Topographic map.
A map that shows the features of the earth's surface using contour lines, tinting, or shading.

Topography.
1. Detailed graphic delineations on maps or charts of natural and artificial features of a place or region especially in a way to show their relative positions and elevations. 2. The configuration of a surface, including its relief and the position of its natural and artificial features.

Township.
A territorial subdivision six miles square and containing 36 sections.

U

Uneconomic remnant.
A remainder property of little value or use.

Uniform Standards of Professional Appraisal Practice.
The standards of the appraisal profession, developed for appraisers and users of appraisal services by the Appraisal Standards Board of The Appraisal Foundation.

Unit rule.
In condemnation appraisal, a valuation rule that deals with ownership interests and physical components. A property must be valued as a whole rather than by the sum of its various interests or by the sum of its physical components.

V

Valuation.
The process of developing a value opinion.

Valuation process.
A systematic procedure to address the client's valuation issue.

Value.
1. The monetary relationship between properties and those who buy, sell, or use those properties. 2. The monetary worth of a property, good, or service to buyers and sellers at a given time.

W

Warranty deed.
A deed warranting that the grantor has a good title free and clear of all encumbrances and will defend the grantee against all claims.

Wetland.
An area that is saturated by surface or groundwater with vegetation adapted for life under those soil conditions, such as swamps, bogs, fens, marshes, and estuaries.