



# **APPRAISAL OPERATIONAL PROCEDURES MANUAL**

Appraisal Section of the Right-Of-Way Division

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## Table of Contents

<b>Chapter 1: The Uniform Act, FIRREA, and USPAP .....</b>	<b>1</b>
1.1 Purpose.....	1
1.2 Compliance .....	1
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.....	1
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.....	2
1.5 The Uniform Standards of Professional Appraisal Practice (USPAP) .....	2
1.5.1 Assignment Conditions .....	3
1.5.2 Jurisdictional Exception Rule .....	3
1.6 Comparison of the Uniform Act and USPAP .....	5
1.6.1 Scope of Work .....	6
1.6.2 Appraisal Reporting .....	7
1.6.3 Appraisal Review .....	7
<b>Chapter 2: Statement of Property Owners' Rights .....</b>	<b>9</b>
2.1 Purpose.....	9
2.2 Protections and Rights .....	9
<b>Chapter 3: Appraisal Content Requirements .....</b>	<b>11</b>
3.1 Purpose.....	11
3.2 Information Furnished to Appraiser .....	11
3.3 Types and Formats of Appraisal Reports .....	11
3.4 Data Required in all Appraisal Reports.....	12
3.4.1 Title Page ( <i>Contract Appraisals</i> ) .....	12
3.4.2 Letter of Transmittal ( <i>Contract Appraisals</i> ) .....	12
3.4.3 Table of Contents ( <i>Contract Appraisals</i> ) .....	12
3.4.4 Appraisal Report.....	12
3.4.5 Certificate of Appraiser .....	12
3.4.6 Scope of Work .....	12
3.4.7 Subject as a Sale .....	12
3.4.8 Statement of Assumptions and Limiting Conditions .....	13
3.4.9 Color Photographs.....	13
3.4.10 Sketches .....	13
3.4.11 Sales Data Sheets.....	13
3.4.12 Location Maps .....	13

3.4.13 Record of Contacts.....	13
3.4.14 Wells .....	14
<b>Chapter 4: Detailed Before and After Appraisal Report (Long Form).....</b>	<b>15</b>
4.1 Purpose.....	15
4.2 Report Elements .....	15
4.3 Identification and Legal Description of Property Appraised.....	15
4.4 Date of Value Estimate.....	15
4.5 Description of Community and Neighborhood .....	16
4.6 Description of Characteristics of Property Appraised.....	16
4.7 Possible Health Hazard Alert.....	17
4.8 The Analysis and Statement of Highest and Best Use.....	17
4.9 Statement of Property Rights Appraised.....	17
4.10 Cost Approach and Analysis, if Applicable .....	17
4.11 Income Capitalization Approach and Analysis, if Applicable .....	19
4.12 Sales Comparison Approach and Analysis, if Applicable .....	19
4.16 Discussion of Interests .....	20
4.17 Partial Acquisitions .....	21
4.18.1 Before and After Report: Total Acquisition.....	21
4.18.2 Before and After Report: Partial Acquisition.....	22
<b>Chapter 5: Uncomplicated Appraisal Report (Short Form) .....</b>	<b>24</b>
5.1 Purpose.....	24
5.2 Suggested Structure for a Short Form Appraisal Report.....	24
<b>Chapter 6: Waiver Valuation (Compensation Estimate) .....</b>	<b>26</b>
6.1 Purpose.....	26
6.2 Due Diligence in Preparing Waiver Valuations .....	26
6.3 Elements of the Valuation Waiver or Compensation Estimate .....	26
See Compensation Estimate template in Appendix .....	26
<b>Chapter 7: Advertising Devices &amp; Billboard Appraisals .....</b>	<b>27</b>
7.1 Purpose.....	27
7.2 Identification and Appraisal .....	27
7.3 Encroaching Signs .....	27
<b>Chapter 8: Leasehold Interests in the Appraisal Report .....</b>	<b>28</b>
8.1 Purpose.....	28
8.2 Report Elements .....	28
8.3 Total Acquisition.....	28
8.4 Partial Acquisition.....	28

8.5 Apportionment of Interests .....	29
<b>Chapter 9: Tenant-Owned Improvements .....</b>	<b>30</b>
9.1 Purpose.....	30
9.2 Report Elements .....	30
<b>Chapter 10: Specialty Appraisals for Condemnation &amp; Other Purposes .....</b>	<b>31</b>
10.1 Purpose.....	31
10.2 Appraisal Report Suitable for Court Purposes (Court Report).....	31
10.2.1 Necessity and Intended Use .....	31
10.2.2 Complete Before/After Required for Acceptance in Arkansas Courts .....	31
10.2.3 Compensation Consistent with Prior Estimates of Compensation .....	31
10.2.4 Final Update to the Court Report .....	32
10.2.5 Elements of Court Reports .....	32
10.3 Court Mortgage Appraisals.....	33
10.4 Surplus Property Appraisals .....	33
10.4.1 Legal basis: .....	33
10.4.2 Procedure.....	34
<b>Chapter 11: Revising the Appraisal Report.....</b>	<b>35</b>
11.1 Purpose.....	35
11.2 Minor Revisions.....	35
11.3 Major Revisions.....	35
<b>Chapter 12: Updating the Appraisal Report .....</b>	<b>36</b>
12.1 Purpose.....	36
12.2 Circumstances to Update .....	36
12.3 Parcel Deletion.....	36
<b>Chapter 13: Definitions, Guidelines, and Requirements .....</b>	<b>37</b>
13.1 Purpose.....	37
13.2 Standard Definitions .....	37
13.2.1 Appraisal .....	37
13.2.2 Contributory Value.....	37
13.2.3 Eminent Domain .....	37
13.2.4 Equipment.....	37
13.2.5 Fixtures .....	37
13.2.6 Just Compensation.....	37
13.2.7 Fair Market Value .....	38
13.2.8 Salvage Value .....	38
13.2.9 Value in Place .....	38

13.3 Appraisal Guidelines and Requirements.....	39
13.3.1 Access.....	39
13.3.2 Adverse Possession .....	39
13.3.3 Advertising Devices (Signs).....	40
13.3.4 Allocation of Just Compensation.....	40
13.3.5 Appraisal Confidentiality Requirement.....	41
13.3.6 Appraisal Objectivity .....	41
13.3.7 Approaches to Value .....	41
13.3.8 Assumptions and Limiting Conditions .....	41
13.3.9 Damages and Benefits .....	42
13.3.10 Benefits or Diminution of Value.....	42
13.3.11 Cash Equivalency.....	43
13.3.12 Closing Costs .....	43
13.3.13 Comparable Sale.....	43
13.3.14 Confirming and Inspecting Sales .....	44
13.3.15 Contacts with Property Owners and Tenants.....	44
13.3.16 Contacts with the Public .....	45
13.3.17 Cost to Cure .....	45
13.3.18 Crop Loss .....	45
13.3.19 Data Ownership, Storage & Retrieval .....	45
13.3.20 Donations .....	45
13.3.21 Driveways.....	46
13.3.22 Duplication of Damages.....	46
13.3.23 Easements .....	46
13.3.24 Excess Land.....	47
13.3.25 Fencing .....	47
13.3.26 Five-Year Sales History of the Property.....	48
13.3.27 Haul Roads: See “Easements.” .....	48
13.3.28 Hazardous Substances and Contamination .....	48
13.3.29 Inspection of Subject Property.....	50
13.3.30 Intended Use of the Appraisal Report.....	50
13.3.31 Intended Users of the Appraisal Report.....	51
13.3.32 Interim Use of Improvements.....	51
13.3.33 Landlocked Tracts .....	51
13.3.34 Legal Descriptions .....	51
13.3.35 Livestock Passes.....	52

13.3.36 Liquid Petroleum (LP) Tanks .....	52
13.3.37 Mailing Address .....	52
13.3.38 Mineral Deposits .....	52
13.3.39 Minimum Payment .....	53
13.3.40 Mitigation of Damages .....	53
13.3.41 Non-compensable Items .....	53
13.3.42 Personal Property .....	54
13.3.43 Potential Subdivision .....	55
13.3.44 Larger Parcel/Parent Tract .....	55
13.3.45 Public Utility Lines .....	55
13.3.46 Relocation Assistance and Payments .....	55
13.3.47 Residential Portion .....	56
13.3.48 Plan/Map Change (Design and Title) .....	56
13.3.49 Rounding of Values .....	57
13.3.50 Septic System .....	57
13.3.51 Title and Ownership Verification .....	57
13.3.52 Underground Lines .....	57
13.3.53 Uneconomic Remnant .....	58
13.3.54 Units of Comparison .....	58
13.3.55 Valuation of Minor Items .....	58
13.3.56 Wagon, Cart, Tractor, and Stock Passes .....	59
13.3.57 Wells, Functioning .....	59
13.3.58 Wells, Non-Functioning .....	59
13.3.59 Workflow, Completion of Appraisals & Sandbagging .....	59
<b>Chapter 14: Appraisal Review .....</b>	<b>60</b>
14.1 Purpose .....	60
14.2 Definitions .....	60
14.3 Function and Purpose of Review .....	60
14.3.1 Protect the Interests of the Public .....	60
14.3.2 Protect the Interests of the Property Owner .....	60
14.3.3 Provide an Approved Estimate of Just Compensation .....	60
14.3.4 Provide Consistency of Values .....	61
14.3.5 Maintain a High Quality Appraisal Product .....	61
14.4 Review Appraiser's Duties .....	61
14.4.1 Report Review and Acceptance .....	61
14.4.2 Estimate of Just Compensation .....	62

14.4.3 Allocation of Just Compensation.....	62
14.4.4 Written Review .....	63
14.5 Suggested Appraisal Review Procedure .....	63
<b>Chapter 15: Conflicts of Interest &amp; Outside Employment .....</b>	<b>65</b>
15.1 Purpose.....	65
15.2 Conflicts of Interest.....	65
15.3 Outside Employment – General.....	65
15.4 Outside Employment - Appraisal .....	65
<b>Chapter 16: Sales Brochure Development .....</b>	<b>66</b>
16.1 Introduction .....	66
16.2 Sales Brochure.....	66
16.2.1 Responsibility for Compiling the Sales Brochure.....	67
16.2.2 Content of the Sales Brochure.....	67
16.2.3 Market Data Assemblage .....	68
16.2.4 Selecting Comparable Sales .....	69
<b>Glossary .....</b>	<b>80</b>
<b>Appendix .....</b>	<b>95</b>
<b>A. Appraisal Templates .....</b>	<b>95</b>
1. ARDOT Long Form Appraisal.....	95
2. ARDOT Short Form Appraisal .....	95
3. ARDOT Compensation Estimate .....	95
4. ARDOT Court Appraisal .....	95
5. ARDOT Court Mortgage Appraisal .....	95
6. ARDOT Comparable Sale Sheet .....	95
7. Appraiser's Checklist.....	95
<b>B. Useful Links .....</b>	<b>95</b>
<b>C. Index of Key Words .....</b>	<b>95</b>

This *Appraisal Operational Procedures Manual* provides guidance to prepare and review appraisal reports under Arkansas 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 Arkansas, 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 Arkansas 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 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 Arkansas eminent domain appraisals, the mandatory appraisal requirements are:

- The U. S. Constitution
- The Arkansas Supreme Court interpretations of Arkansas Constitution and eminent domain statutes;
- The Federal Uniform Act and Regulations, 49 CFR 24.

Guidance can be found at:

- The Arkansas Department of Transportation (ARDOT) *Appraisal Operational Procedures Manual*;
- The Federal Highway Administration (FHWA) Office of Planning, Environment, and Realty website: [http://www.fhwa.dot.gov/real\\_estate/](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 Arkansas-certified appraisers comply with the federal Uniform Act and Arkansas eminent domain statutory law as interpreted by the Arkansas Supreme Court; appraisal policies of the state and published appraisal standards contained in the *Arkansas Department of Transportation Appraisal Operational Procedures Manual* (this publication).

USPAP appraisal standards that run contrary to Arkansas eminent domain law and policy are void and of no force and effect in an eminent domain appraisal assignment by operation of Arkansas 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 ARDOT 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
- Agricultural fence that is paid administratively and is not considered in the appraisal

### 1.5.2 Jurisdictional Exception Rule

The 2018–2019 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:

- Identify the law or regulation that precludes compliance with USPAP;
- Comply with that law or regulation;
- Clearly and conspicuously disclose in the appraisal the part of USPAP that is voided by that law or regulation; and
- 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, § 24.103(b) of the Uniform Act prohibits consideration of increases or decreases in a property's value caused by the project.

## 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 ARDOT: <ul style="list-style-type: none"> <li>• From the perspective that the agency must remain in control of its program and is a knowledgeable user of appraisal services;</li> <li>• Recognizing that the agency knows what it needs and why it needs it; and</li> <li>• Acknowledging the appraiser needs information and guidance from the agency or user.</li> </ul>	The scope of work determination is the responsibility of the appraiser, assuming: <ul style="list-style-type: none"> <li>• That the appraiser user is unfamiliar with the appraisal process;</li> <li>• That the appraiser determines what is needed and sets the appraisal parameters;</li> <li>• That the appraiser recognizes the client's role in problem identification and scope of work decisions; and</li> <li>• That there are no specific requirements for client approval.</li> </ul>
It is written to reflect a wide range of nuances, including: <ul style="list-style-type: none"> <li>• Eminent domain requirements; and</li> <li>• Partial acquisitions based on case law.</li> </ul>	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 “over-appraise.”	All steps must be addressed, and if not included, explained why they were not.
Along with 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, the review appraiser and the ARDOT 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 ARDOT 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 ARDOT 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 ARDOT’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 ARDOT has adopted a Short Form 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.

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

### 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 ARDOT's *Appraisal Operational Procedures 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 Arkansas law to property owners throughout the acquisition process or, alternatively, during condemnation proceedings.

### 2.2 Protections and Rights

#### **Arkansas Code Title 18. Property § 18-15-103. Bill of rights--Property owner**

(a) The principles expressed in subsection (b) of this section shall serve as standards to be followed in any proceeding that involves an entity authorized by law to exercise the power of eminent domain.

(b) An owner of property subject to a proceeding to condemn private property under the right of eminent domain shall have the following bill of rights:

(1) A property owner is entitled to receive just compensation when private property is taken for a public use;

(2) Private property may only be taken for public use;

(3) Private property may only be taken by a governmental entity or a private entity authorized by law to exercise the power of eminent domain;

(4) A property owner has the right to receive reasonable notification of an entity's interest in taking the property owner's private property;

(5)(A) A property owner shall receive from the government or private entity an assessment of the just compensation the entity estimates for the property owner's private property before or contemporaneously with a good faith offer of just compensation.

(B) However, when a property owner cannot be located and must be served by warning order, a filing of the assessment with the complaint for condemnation shall be sufficient compliance with subdivision (b)(5)(A) of this section;

(6) An entity shall make a good faith offer to buy the property owner's private property before initiating a condemnation proceeding;

(7) A property owner has the right to hire an appraiser or other independent professional to determine the value of the private property or to assist the property owner in a condemnation proceeding;

(8) A property owner has the right to hire an attorney to represent the property owner in a condemnation proceeding and negotiate on behalf of the property owner with the entity;



(9) In a proceeding to condemn private property under the right of eminent domain, the circuit court shall impanel a jury of twelve (12) persons as in civil cases to determine the just compensation the government or private entity owes the property owner;

(10) Any party has the right to appeal a decision entered by the circuit court under subdivision (b)(9) of this section; and

(11)(A) Except as provided in subdivision (b)(11)(B) of this section, in a condemnation brought under the laws of this state, a property owner shall be entitled to an award of the property owner's costs, expenses, and reasonable attorney's fees incurred in preparing and conducting the final hearing and adjudication, including without limitation the cost of appraisals and fees for experts if the compensation ultimately awarded exceeds the condemning entity's initial assessment of the just compensation owed by twenty percent (20%) or more.

(B) An award of costs, expenses, and attorney's fees in a condemnation action brought by a county or municipality is governed by the laws that authorize the condemnation action.

It is also 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 Arkansas. This information is routinely distributed at various public meetings conducted by the ARDOT prior to the appraiser's first contact with the owner. A link to this information is provided below.

[http://www.arkansashighways.com/right\\_of\\_way\\_division/ProceduresForAcquisition.pdf](http://www.arkansashighways.com/right_of_way_division/ProceduresForAcquisition.pdf)

## **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 ROW plan of the property that depicts the acquisition area in relation to the entire property
- A land surveyor's acquisition plat, if available
- The Title Certificate prepared by a local abstractor, 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 Appraisal Section, the ARDOT arranges to have the proposed acquisition lines staked on the ground. This is done routinely to assist the appraiser(s) 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 ARDOT 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 the *ARDOT Appraisal Operational Procedures Manual*. These Arkansas 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 *ARDOT Appraisal Operational Procedures Manual*, Arkansas 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 detailed before and after appraisal (long form) and the uncomplicated (short form) appraisal in order to assist the reader in navigating and understanding the appraisal.

#### 3.4.1 Title Page (*Contract Appraisals*)

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 (*Contract Appraisals*)

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 (*Contract Appraisals*)

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 Appraisal Report

The reporting templates are furnished by the ARDOT for both the detailed before and after and Short Form appraisals 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 Certificate of Appraiser

This form — or its equivalent, which is furnished by the ARDOT — is required to be included in all appraisal reports.

#### 3.4.6 Scope of Work

A scope of work statement is required in all appraisal reports. This document between the ARDOT and the Appraiser, outlines the Appraiser's work and the assignment. This will be reviewed by the Review Appraiser and will be retained in Appraisal files. ([see Long Form Template](#))

#### 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 ARDOT Scope of Work, Assumptions and Limiting Conditions, are included, and no items added by the appraiser conflict with the ARDOT'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, tillable acres, shape, topography, size, etc.); neighborhood or location factors; zoning; 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 Record of Contacts

Record of all contacts is required in all appraisals.

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 Wells

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 determine the physical possibility, location and cost of reestablishing the affected well.

## **Chapter 4: Detailed Before and After Appraisal Report (Long Form)**

### **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. This format is designed to include the more complex and difficult acquisitions. Appraisals in this category range from unimproved land to extensively improved properties. This report format is typically used where compensation is estimated in excess of \$25,000; however, the complexity and level of detail required may indicate its use where compensation is below the \$25,000 threshold. This chapter 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 Highest and Best Use

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.

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.

#### 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 review appraiser 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 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 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.

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.

#### 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 detailed 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.

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

The appraisal reports are sent to the property owners, so it is important they follow a logical, readable, and user-friendly format. The ARDOT does not specify a particular appraisal reporting format with respect to binding, order of pages, etc. for contract appraisals. However, the ARDOT considers the following suggested order to be appropriate and acceptable.

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 (*Contract Appraisals*)
- Letter of transmittal (*Contract Appraisals*)
- Table of contents (*Contract Appraisals*)
- 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

- Legal Description of proposed acquisition (from Right of Way Engineering)
- ARDOT Plans (ROW; construction plans; cross-sections)
- 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 (*Contract Appraisals*)
- Letter of transmittal (*Contract Appraisals*)
- Table of contents (*Contract Appraisals*)
- 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

- Legal Description of proposed acquisition (from Right of Way Engineering)
- ARDOT Plans (ROW; construction plans; cross-sections)

- 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: Uncomplicated Appraisal Report (Short Form)**

### 5.1 Purpose

The purpose of this chapter is to explore the structure and process of building a Short Form report as an alternative to the before and after report as an approach to appraisal. This form may be used when the acquisition is uncomplicated, and compensation is estimated to be \$25,000.00 or less. This chapter details the elements that a Short Form report should contain.

### 5.2 Suggested Structure for a Short Form 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.

**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.

An abbreviated property description covering the overall property. The extent of documentation is to be commensurate with the significance of the appraisal and values involved.

The determination of just compensation in a Short Form 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 detailed before and after appraisal.**

The three standard approaches to value, as discussed later, may be 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 Short Form report.
  - Title page (*Contract Appraisals*)
  - Letter of transmittal (*Contract Appraisals*)
  - Table of contents (*Contract Appraisals*)
  - 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

- Legal Description of the proposed acquisition
- ARDOT Plans (ROW; construction plans; cross-sections)
- Photographs of the appraised property
- All other supporting material, including sketches, comparable sales sheets and location maps, written leases (if available), etc.

[See Short Form template in Appendix](#)



## Chapter 6: Waiver Valuation (Compensation Estimate)

### 6.1 Purpose

This is an uncomplicated valuation method, which is generally used for valuations of \$10,000.00 or less. This \$10,000 limit may be extended to \$25,000 if: 1) the fee taking (along with any easements) are less than \$10,000, and 2) a cost-to-cure based on an outside estimate obtained for the tract under consideration. The outside estimate must be in written form along with any supporting documentation. A waiver valuation is not considered an appraisal report and does not technically qualify as one.

The decision to use the waiver valuation is handled during the appraisal assignment process by the Review Appraiser or designated agent.

Even though an appraisal is not required, the ARDOT must establish and offer just compensation for the property to be acquired. Appraisal will provide support for the amount to be offered, which may include sales and/or other market information in the project area.

If the property owner requests an appraisal of the property to be acquired, the Appraisal Section Head will determine if the request is reasonable, and if an appraisal report should be prepared.

### 6.2 Due Diligence in Preparing Waiver Valuations

Accordingly, the appraiser should exercise diligence in gathering all pertinent data when inspecting subject properties. Sufficient specific property data and other information are gathered and maintained, should before and after appraisals are required for condemnation.

Although the waiver valuation is not an appraisal, the estimate of just compensation should reflect a consideration of a before and after process. **It is assumed that the appraiser would not have a different opinion of just compensation if doing a detailed before and after appraisal.**

### 6.3 Elements of the Valuation Waiver or Compensation Estimate

Basic elements of this type of report are as follows:

- Compensation Estimate Form
- Photographs depicting the whole property and relevant details of the acquisition
- Right-of-Way Map

[See Compensation Estimate template in Appendix](#)

## **Chapter 7: Advertising Devices & Billboard Appraisals**

### **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 attempted to be determined. A copy of the lease or lease terms is secured when applicable.

In instances where advertising devices are considered personal property, they are moved by the Relocation Section of the Right of Way Division.

A cost-to-cure may be employed in instances where the advertising device is part of the real estate and relocation is deemed feasible.

In cases where acquisition of the sign is necessary, an estimate of its value is required. Sign appraisal templates are available and should be used in conjunction with cost guidance from the most current version of the Arkansas Assessment Coordination Department's [Arkansas Billboard Valuation Guide](#).

When the appraiser determines that a compensable leasehold interest exists and may be affected by the proposed acquisition, the interest is appraised accordingly.

### **7.3 Encroaching Signs**

Any sign or billboard that is erected and encroaching on existing right of way is not eligible for consideration within the appraisal.

If any doubt or question arises concerning the payment for roadside signs, the matter should be resolved by the Right of Way Division Head.

## **Chapter 8: Leasehold Interests in the 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 if provided by the lessor or lessee. 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, if provided.

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 provided. 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.

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, as established by the Relocation Section.

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. Rental reserve is the tenant's obligation to pay rent for the unexpired or remaining term of the lease. The appraiser must also compensate for the loss of the tenant's ownership of business fixtures, if any.

### **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.

### 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 Arkansas, the owner receives compensation for their fee ownership and the tenant receives separate compensation for their leasehold interest, unless stipulated by any condemnation clause, or similar lease provision. 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.

To the extent possible, 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

## **Chapter 9: Tenant-Owned Improvements**

### **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.

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: Specialty Appraisals for Condemnation & Other Purposes**

### 10.1 Purpose

The purpose of this chapter is to describe the circumstances under which certain specialty appraisals are produced for condemnation, partial release of mortgage and surplus properties. Guidance is also offered in preparing these appraisal reports in their various formats.

### 10.2 Appraisal Report Suitable for Court Purposes (Court Report)

Once notified that a tract has been recommended for condemnation, a memorandum is sent to the reviewing appraiser requesting that an appraisal suitable for court purposes be prepared.

#### 10.2.1 Necessity and Intended Use

- For initial court filing of the condemnation suit
- the amount identified by the court appraisal is deposited with the court for the benefit of the property owner
- The court appraisal acts as a basis of court testimony

#### 10.2.2 Complete Before/After Required for Acceptance in Arkansas Courts

- When the original offer was based on a Compensation Estimate, a complete before and after appraisal will be provided by the Appraisal Section. The appraiser should make certain that all improvements are valued in both the Before and After condition. The “as of” date is the date of the last inspection, or most recent map change.
- When the original offer was based on a Partial Appraisal, the appraisal must be revised to satisfy the requirement of a complete before and after appraisal. By including the values of all unaffected improvements, the partial appraisal becomes a complete report suitable for court purposes. The “as of” date is the date of the prior report, or its most recent revision.
- The assigned appraiser then coordinates with Legal to prepare for trial. The staff attorney handling the case may request an additional appraisal through the Chief Legal Counsel.

#### 10.2.3 Compensation Consistent with Prior Estimates of Compensation

- Usually, compensation established by the court report is consistent with prior estimates, with the exception of updates for changes in market conditions or to incorporate any new information discovered after the initial submittal. Any new information should be identified in the report as such; comments to this effect being placed prominently and conspicuously throughout the report.
- In the exceedingly rare event that the appraiser concludes an estimate of compensation via the court report differing from the original offer (i.e., established by either prior Compensation Estimate or partial appraisal), the report must undergo full review, and a new offer made to the property owner.

#### 10.2.4 Final Update to the Court Report

- Subsequent to initial filing, but prior to any jury trial, the court appraisal report should be updated to reflect the compensation due as of the date of taking. Any change in compensation due to change in market conditions or new information must be incorporated at this time.
- The “date of taking” is established by the recorded, Complaint, Declaration of Taking and Order of Possession, and is provided by the Legal Division when available.

#### 10.2.5 Elements of Court Reports

As with any pre-condemnation detailed appraisal, the elements of the court appraisal 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.

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

- 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

- Legal Description of proposed acquisition (from Right of Way Engineering)

- ARDOT Plans (ROW; construction plans; cross-sections)
- Photographs of the appraised property
- All other supporting material, including sketches, comparable sales sheet and location maps, written leases (if available), etc.

See Court Report example in the appendix

### 10.3 Court Mortgage Appraisals

- The term “court” in this instance should not be misunderstood; it does not imply condemnation, or imminent legal proceedings. These reports are usually prepared after successful negotiations have taken place where a Compensation Estimate or partial appraisal was used as the basis of just compensation.
- Although the report is a legal document, this type of appraisal is essentially an affidavit intended to facilitate closing, at the request of the Administrative Section.
- The Court Mortgage appraisal provides a before and after valuation to be used in connection with a partial release of mortgage, while insuring the remainder property is sufficiently collateralized.
- Although any type of property may be addressed with this type of report, it is usually residential properties involved.
- The abbreviated format reflects simplified requirements in the development of before and after values. Support for values may be retained in work-file.
- Whole and Remainder values are rendered; frequently involving unaffected improvements where no interior inspection has been performed. As such, a Cost Approach relying on public records, cost manuals, etc. along recent land sales, and/or knowledge/consideration of similar improved properties or sales of the subject property etc. are sufficient.

See Court Mortgage Report example in the appendix

### 10.4 Surplus Property Appraisals

This is a specialty report requested for the sole purpose of releasing surplus property.

#### 10.4.1 Legal basis:

According to Arkansas Code § 27-67-322,

“...(a) The State Highway Commission is authorized to sell in the manner provided by § 27-67-321 real or personal property, or an interest in real or personal property, which has been declared by commission resolution to be surplus and for sale.”

Further, regarding any the market value of surplus property of the State Highway Commission, Arkansas Code § 27-67-322(d) reads as follows: “The market value...shall be determined by two (2) appraisers certified or licensed under the Arkansas Appraiser Licensing and Certification Act, § 17-14-101 et seq., § 17-14-201 et seq., and § 17-14-301 et seq.”



"(B) However, if the Arkansas Department of Transportation's current assessment of the market value of the real property and improvements is fifty thousand dollars (\$50,000) or less, then the market value required under subdivision (d)(2)(A) of this section shall be determined by one (1) appraiser certified or licensed under the Arkansas Appraiser Licensing and Certification Act, § 17-14-101 et seq., § 17-14-201 3 et seq., and § 17-14-301 et seq."

"..."capital asset" means real property acquired by the State Highway Commission and improved by the State Highway Commission with offices, shops, storage yards, or other necessary or auxiliary facilities, or property purchased as an uneconomic remnant."

#### 10.4.2 Procedure

When a request for an appraisal of surplus property is received by the Appraisal Section Head, two (2) qualified and licensed staff appraisers are given the assignment to produce an appraisal in a timely manner, unless the assignment has been determined to require a single appraiser under the \$50,000 threshold.

- In order to provide useful and credible advice, the appraisers should give due consideration to any value created by assemblage of the subject surplus, in addition to all other value influences. This value as assembled could reasonably exceed the market value of the surplus as a stand-alone unit.
- It should be understood that the surplus property report is simple in nature by design. Care should be taken to produce a clear, concise analysis and report. The appraisers will be advised as to the appropriate scope of work to be performed when receiving the assignment.
- There is no requirement to verify sales for this type of report.

See Surplus Property Report example in the appendix

## **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 supplement to the appraisal memorandum.

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.

### **11.3 Major Revisions**

When a change causing revision is major, the appraiser revises the original appraisal and submits it to the reviewer. The reviewing appraiser completes his review and certification and stamps it as revised. If a revision requires re-inspection of property, the appraiser offers the owner an opportunity to accompany the re-inspection.

Voided appraisals 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. A revised appraisal and certification 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, the reviewing appraiser updates all records to this effect.

## **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 Arkansas Constitution, Arkansas Constitution, Art. 2, § 22. Private property owners are entitled to receive just compensation when their land is acquired for public use. The measure of just compensation is the market value of the property at the time of the taking.

#### 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

Arkansas 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, including 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.

### 13.2.7 Fair Market Value

In the state of Arkansas, the term “fair 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.

In short, the fair 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 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.

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.)

### 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.

### 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.

### 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

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.

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.

#### 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)

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. Off-premise signs classified as billboards require a permit that is issued through the Beautification Section of the ROW Division. Examples of off-premise signs 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.

#### Advertising Sign Sites

An advertising sign site becomes damaged as a property interest only if a legal advertising sign is unable to be relocated to the remaining property. Sign sites for off-premise advertising signs shall be valued for the present value of the land lease or by the analysis of comparable sign site sales.

The present value of the sign site may be found by the appraiser by discounting the remaining lease payments to the date of the appraisal using market-derived data. If ARDOT has been able to verify that there is a valid ground lease associated with the sign structure currently in effect with a remaining term of more than a month to month time period, the lease document should be provided to the appraiser.

The valuation of sign sites utilizing discounted cash flow must be based on the economic or market rent derived from comparable sign site rentals. Discounting factors such as vacancy rates, expenses and discount rates are to be derived from market-derived data. As a guide and check, the value of a sign site should not exceed the capitalized value of the site. **The above information and observations apply to how such a ground lease may affect the overall valuation of the parcel itself, relating to the value for owner of such parcel.**

### 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. The appraiser is to allocate an estimate of just compensation—concluded in

a detailed appraisal (before and after) or a Short Form appraisal. The allocation is to be based upon the appraiser's conclusions and opinions stated in the report.

#### 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 ARDOT. Some assumptions may not be applicable to all appraisals. The appraiser may assume:

- The sketch map, construction plans, and/or tract descriptions furnished the Appraisal Section by the Engineering Section are correct.
- 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 Arkansas law, and do not include non-compensable 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
- The property is appraised as though under responsible ownership and typical management.
- The appraiser acknowledges that a copy of the report will be provided to the owner of the property appraised, or their representative.
- The ARDOT may use any or all of the contents of appraisal reports only for normal business functions.
- Consideration has not been given in this appraisal to personal property located on the premises, or to the cost of moving or relocating such personal property unless otherwise stated.
- No opinion is expressed as to the value of subsurface oil, gas, or mineral rights and that the property is not subject to surface entry for the exploration or removal of such materials except as is expressly stated.
- The estimated value after acquisition is based on the project being constructed in the manner proposed, as furnished to the appraiser as of the date of appraisal.
- No consideration has been given in the appraisal to the value, if any, attributable to growing crops on any portion of the property appraised unless otherwise stated.

#### 13.3.9 Damages and Benefits

Under Arkansas law, project specific benefits may be 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.

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.

### 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 appraisal, 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.

An "arm's length" sale of the subject property can be used as an indication of the fair market value of the subject property.

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.

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

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

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.

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.

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.

#### 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. ([See Chapter 15: Sales Brochure Development Procedures](#))

#### 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, non-argumentative 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 ROW maps and construction plans 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 prior authorization.

#### 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.

#### 13.3.18 Crop Loss

Appraisals prepared prior to condemnation are not to consider crop loss in the acquisition area. If warranted, 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 Data Ownership, Storage & Retrieval

All research, data and materials gained or produced in connection with ARDOT appraisal development are the exclusive property of the Arkansas Department of Transportation, and as such may be requested at any time by property owners or their representatives, as well as citizens of Arkansas. To facilitate this and other the work of the appraisal section, all material should be stored on agency network drives, in an accessible format at all times.

It is essential that reports, sales, photographs, appraiser's work files and all other documentation should be initiated, updated, and archived on agency network drives and made accessible as soon as possible for compliance reasons.

Full compliance with this policy is expected without exception.

#### 13.3.20 Donations

23 of USC § 323 provides 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 ARDOT or the acquiring agency's obligation to appraise and offer just compensation for the acquisition of property must be waived. This document is normally presented to the property owner by the acquisition agent in the negotiation process.

#### 13.3.21 Driveways

The appraisal should include compensation for any portion of driveway not replaced as part of the construction. The age, condition and construction may be factors considered in concluding the contributory value of any such improvements.

#### 13.3.22 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.

#### 13.3.23 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.

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.

#### 13.3.24 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 ARDOT 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 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.

#### 13.3.25 Fencing

- Partial acquisitions: The appraiser does not consider loss of control of access fence as a damage item in pre-condemnation 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, or handled as part of construction.
- All other fence located within the area purchased whose utility is not replaced by standard 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.
- Total acquisitions: On all total acquisitions, fence should be considered as it contributes to the overall value of the property.

- Agency-erected fence: The agency constructs 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 pre-condemnation appraisal.

#### 13.3.26 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 appraisal. The appraiser is normally furnished with a Certificate of Title 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 ARDOT (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. 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.

#### 13.3.27 Haul Roads: See “Easements.”

#### 13.3.28 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 reviewing 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 reviewing appraiser is to be notified immediately of the existence of a tank. The ARDOT ascertains whether the tanks are a contaminant. Legal tanks are registered with the Arkansas Department of Environmental Quality (ADEQ). Illegal tanks are subject to fine by the ADEQ.

- 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, 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 ADEQ or by the acquiring authority as required by law.



### 13.3.29 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.

Whenever a property owner refuses to permit appraisers employed by ARDOT to enter the property in order to view it, take measurements and photographs, or make other necessary inspections, legal means are available by which such entry can be gained. However, in the interest of expediting the acquisition of right of way, it has been determined that court proceedings to merely gain right of entry will not be resorted to in the first instance. The initial procedure in such instances will be as follows:

**The appraiser will not enter the property but will endeavor to view it from as many viewpoints as possible.** The appraiser should make a careful study of all available records from the available sources, including but not limited to:

- Satellite, aerial, and other publicly available imagery of the property;
- U. S. Geodetic Contour maps, if available;
- County records;
- records in Building Inspector's Office if inside a city; and
- prior sales and marketing information.

The appraiser may take distant photographs and resort to any other sources of information to use as a basis for their report. The appraisal report will clearly indicate that the appraiser was not permitted to enter upon the property and that the report is predicated on certain assumptions that should be detailed. The appraiser should also clearly set forth what sources of information were used as a basis for their assumptions.

### 13.3.30 Intended Use of the Appraisal Report

The intended use of appraisals prepared for the ARDOT is for the acquisition of right of way for projects to be constructed by the ARDOT 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.

### 13.3.31 Intended Users of the Appraisal Report

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

### 13.3.32 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.

### 13.3.33 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 reviewing appraiser. The appraisal is to reflect the access status of a tract as reflected on the project plans and ROW map.

### 13.3.34 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 Arkansas. 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 Arkansas.

- 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 Arkansas.

- 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 Arkansas 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 Arkansas, 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 Arkansas.

- 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 Circuit Clerk and/or Recorder.

### 13.3.35 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.

### 13.3.36 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.

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.

### 13.3.37 Mailing Address

Lessor and lessee names and mailing addresses are listed on the front of the appraisal. 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 reviewing 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

The appraiser should be advised that in eminent domain proceedings ARDOT, by law, is limited to acquisition of fee title excluding mineral rights, and that the limitation of this law has been applied by ARDOT policy to acquisition of rights of way by negotiation. Mineral rights are acquired during condemnation process.

On a partial acquisition involving a separate ownership of minerals which includes hard minerals, special handling is required if the hard minerals have or appear to have some economic value and if production thereof would require surface operations.

Whenever possible the appraiser should use comparable sales that have transferred only the surface rights, rather than adjusting sales that include minerals. However, if it is necessary to use sales that require such adjustments, the appraiser should compare sales that included minerals with sales that excluded minerals in order to measure the adjustment by market data.

#### 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 Non-compensable 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 Arkansas 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 non-compensable.

A number of damage items have been held by courts to be generally non-compensable. Following is a list of such items which the appraiser shall not consider. This list is not necessarily comprehensive of all non-compensable items.

- Loss of business profits
- Loss of goodwill
- Interruptions of or loss of business, inconvenience, etc. during temporary period of construction.
- The loss of expected profits from a projected subdivision.

- Loss of tenants, business, etc. because of anticipated taking.
- Damage to personal property and moving expense.
- Cost of obtaining or inability to obtain new quarters.
- Annoyances, discomfort, dust, etc. during period of construction.
- Diversion of traffic.
- Circuity of travel.
- Inability to gain access to a newly located highway. (This does not necessarily exclude severance damages where a unit of land has been severed).
- Noise, dust and other such items incident to living on a public highway.
- Bringing about the change in the character of the neighborhood.

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 non-compensable 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 ARDOT 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).

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 Potential Subdivision

A subdivision that has not received final plat approval should not be appraised for acquisition purposes by the use of the Developmental or Subdivision appraisal method, as these approaches may not provide credible results.

The lots within a subdivision that have been physically developed with their infrastructure in place should be appraised individually.

### 13.3.44 Larger Parcel/Parent Tract

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.

In instances where the extent of the property unit is unclear, the consultation with the reviewing appraiser may provide guidance as to what constitutes the larger parcel.

See also, *larger parcel* in the [UASFLA](#) and USPAP for additional guidance.

### 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 federal regulations.

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 ARDOT's Relocation Assistance Program.

Although the *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 ARDOT, 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.

#### 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 reviewing appraiser or the Relocation Section.

#### 13.3.48 Plan/Map Change (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 complete a plan change request form. 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). Values are typically rounded to the nearest \$25 or \$50.

#### 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 Area Sanitarian or any number of designated representatives (DR's), and documents the position utilized.

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.

Each septic system situation must be considered on an individual basis, as determined by the reviewing appraiser and/or Appraisal Section Head. 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 Engineering Section for use in correcting office records. If the appraiser has any doubt as to what constitutes the property unit, the reviewing appraiser should be consulted before proceeding with the appraisal.

#### 13.3.52 Underground Lines

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 ARDOT 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

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 Department has determined has little or no value or utility 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.

If a remainder or part of a remainder is determined to be an uneconomic remnant, the reviewing appraiser is notified.

When a potential uneconomic remnant is found, the reviewing appraiser makes a notation regarding the recommendation on the appraisal, including the value of the remnant.

Subsequently, the decision of whether to offer to acquire the remnant is made by the Right-of-Way Division Head, except when the decision would conflict with or compromise the provisions of other federal or state laws or regulations.

#### 13.3.54 Units of Comparison

Units of comparison are the components into which a property may be divided for purposes of comparison.

In the analysis of sales of comparable properties, the appraiser should express sale prices in terms of the appropriate sale price per acre or 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, Cart, 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 and to the extent such structures are allowable by the Department, and approved by District or Resident Engineers.

#### 13.3.57 Wells, Functioning

We should pay to replace a well if one of the following conditions exist:

- 1) The well is the primary source of water, and municipal water is either not available or cost prohibitive to connect.
- 2) The well that is the primary or secondary water supply for the subject site and is to be acquired or otherwise rendered unusable by the right of way acquisition. The appraisal is conducted on a cost-to-cure basis, provided that the landowner can demonstrate its functionality to the appraiser

#### 13.3.58 Wells, Non-Functioning

A well that is determined to be non-functioning will not be put back and will be recognized at an estimated contributory value in the appraisal.

Right-of-Way Property Management should be notified of the well's location to oversee the cost to cap and fill, as the ARDOT must warrant the completion of this work. Capping and filling a well is not an appraisal item and should not be included as part of the appraisal.

#### 13.3.59 Workflow, Completion of Appraisals & Sandbagging

Upon completion, appraisals should be submitted to the reviewer one by one. Under no circumstances should all appraisals assigned to be "sandbagged," or held until all are completed, and then submitted in bulk. Sandbagging impedes project workflows, reduces efficiency and presents an unclear picture of the overall job status.

## 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 recommend an amount to be offered by the agency as just compensation.
- **As such, any discussions, questions or concerns regarding the valuation process, data analysis, appraisal technique or any appraisal related issue should be processed through the reviewer assigned to the job. Shopping of answers to other reviewers or the Section Head is prohibited.**

### 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 ARDOT 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.
- **Any discussions, questions or concerns regarding the valuation process, data analysis, appraisal technique or any appraisal related issue should be processed through the reviewer assigned to the job.**
- 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 may issue 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 non-compensable under Arkansas 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 ARDOT 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 appraiser is to allocate an estimate of just compensation, concluded in a detailed before and after appraisal (long form) or an uncomplicated appraisal (short form), noted on the Allocation of Just Compensation portion of the appraisal. 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.

#### 14.4.4 Written Review

The review appraiser may prepare a written appraisal review for each parcel where an acquisition appraisal has been prepared. The 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 as 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.

A signed and dated Certification of Review Appraiser shall be attached to all appraisals.

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, sign it as the review appraiser, and place a copy in both the office files. No subsequent review is required.

When written reviews are prepared, an original of the review report, together with a Certification, shall be furnished. The original copy is attached to the appraisal and forwarded to the Acquisition Section.

#### 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 non-compensable 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 the required appraisal review forms. When approving one of two or more appraisal reports, give specific reasoning for selection.
- 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.
- 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: Conflicts of Interest & Outside Employment**

### 15.1 Purpose

The purpose of this chapter is to identify and address activities that constitute conflicts of interest in waiver preparation, appraisal or appraisal review. Further, guidance is offered regarding employment outside of the ARDOT, both generally and specifically in the appraisal field.

### 15.2 Conflicts of Interest

- No Appraiser or Review Appraiser shall have any interest, direct or indirect, in the real property being appraised that would in any way conflict with the preparation or review of the appraisal.
- The person preparing the waiver valuation or the person approving the waiver valuation shall have no interest, direct or indirect, in the real property being valued.
- Payment and fees for making an appraisal or preparing a waiver valuation shall not be based on the amount of the valuation.
- No Appraiser or Review Appraiser shall act as a negotiator for real property, which that person has appraised or reviewed.
- An appraiser or acquisition agent may act as the negotiator for real property, for which that person has prepared a waiver valuation.

### 15.3 Outside Employment – General

- When individuals accept employment with the Department, they agree not to accept employment or self-employment if it conflicts with the Department's interest or adversely affects their availability and usefulness as an employee of the Department.
- Employees shall avoid acquiring any business interest, engaging in outside employment or participating in any activity outside the Department that would conflict with his or her official duties.

### 15.4 Outside Employment - Appraisal

- Appraisers employed by the Department of Transportation may not accept any appraisal assignment where the property to be appraised is affected by a highway project at the present, or in the foreseeable future.
- No employee will be permitted to accept appraisal assignments from any other condemning authority or any individual or firm doing business with the Department of Transportation.
- Outside employment must not involve the use of any State-owned property or equipment.



## **Chapter 16: Sales Brochure Development**

### 16.1 Introduction

The fundamental concept underlying the various approaches to value is the concept of substitution. In order for the principle of substitution to work knowledge of the market and comparable sales data must exist. The Sales Brochure is the collection of various comparable sales and other market data compiled in one location. Each ARDOT project, which requires appraisals for property acquisition is to have a completed Sales Brochure. The Sales Brochure promotes project consistency, correlation and efficiency.

The purpose of the Sales Brochure is to provide the basic data to perform the analysis, studies and narrative explanations necessary to support the appraiser's reasoning and conclusions reached in each of the appraisals for the given project. The Sales Brochure is foundation upon which each completed valuation report is built. The importance of the Sales Brochure cannot be overemphasized as it is considered ingredient to each valuation report and the correlation of the completed for the project. The stability of the value conclusions depends on the care and thoroughness of the appraiser(s) assembling the Sale Brochure.

The content of the Sales Brochure is intended to reflect the scope and complexity of the project it represents. The Sales Brochure serves the common need of Appraisers, Review Appraisers and other right of way personnel assigned to a project. The Sales Brochure may also be used by other outside the ARDOT for various purposes.

### 16.2 Sales Brochure

The Sales Brochure is composed primarily of verified factual data of compiled information that assists the appraiser by serving as a reference for the basis for making comparison and adjustments. The appraiser uses the data found in the Sale Brochure to develop critical analyses in the formation of paired sales, studies, graphs, charts or tables, performed in the appraisal reports, realty evaluations or other documents completed by the appraisers working on an ARDOT project.

In addition to the collection of factual data of sales information the Sales Brochure may include other general data gathered in support of the preparation of real property valuations for an ARDOT project.

Primarily, the Sales Brochure is use as the basis for the sales approach, which is the most commonly used and easily understood appraisal method for the presentation of market value and just compensation. The cornerstone of the sales comparison approach is the principle of substitution. This principle states that a buyer would not pay more for a property than what they would pay for an equal substitute. Greater reliance is most often placed on this approach over any other approach used in traditional appraisal practice.

The market approach is the only approach required for most appraisals by the ARDOT. It is therefore imperative that sufficient relevant market data is gathered for analysis in order to provide a sound basis for the conclusions of the reports.

When two or more tracts for a project share aspects or characteristics that must be addressed in the appraisal, certain data should be collected, compiled, analyzed and submitted as part of the

sales brochure. In this way this information may be *incorporated by reference* into each appropriate appraisal for the ARDOT project.

#### 16.2.1 Responsibility for Compiling the Sales Brochure

The Sales Brochure is produced under oversight of a Reviewing Appraiser and may be prepared by staff appraisers or fee contract appraisers. Usually a senior appraiser will lead the effort to compile the Sales Brochure, if more than one appraiser is assigned its development. The compilers task is to identify properties that have sold recently in the area of the project and to collect basic information about the terms of the sales and the physical characteristics of the properties. The Sales Brochure compilers will examine and review all market data found in the Sales Brochure.

It is essential to inspect all verified sales or sales information included in the Sales Brochure. The sale should be inspected at the earliest opportunity. Sales information is considered reliable only when the facts are verified by personal contact with agents to the transaction, most preferably the buyer or seller. Not every sale can be confirmed by direct contact with the buyer or seller. In such instances, the Appraiser will verify the transaction facts with the real estate broker or agent or perhaps an attorney representing the either party.

The source of verification will be identified on the comparable data sheet. The date of verification, the means of verification and the date of sale will be listed on of each of the individual sales sheet. The date the deed of transfer and not the date of recording, should be considered the date of sale.

#### 16.2.2 Content of the Sales Brochure

The content of the Sales Brochure is intended to reflect the scope and complexity of the project it represents. The complexity, the level of detail and corresponding effort necessary to complete the Sales Brochure varies with the number of parcels on the project, the range of uses, the type of acquisitions and the extent of recent real estate sales market activity. The following summary of content is intended to represent the necessary level of detail and effort for a complex project of significant scope.

The content of non-complex projects may be modified appropriately to suit the intended need for the data in relation to the actual project under development. The intended scope and content of the Sales Brochure will be understood and agreed on by the Reviewing Appraiser and the compilers of the Sales Brochure before data collection begins. If the work is contracted to a private fee appraiser, the scope and content will be mutually agreed upon and will be reflected in the consultant agreement document.

All sales or transfers of properties located on the project must be verified. All valid, arm's length market transactions located within the bounds of the project area are required to be included as part of the Sales Brochure and verified if possible. (All sales of subject properties must be analyzed in the appraisal itself – unverified, valid or not.) Only verified sales may be used in the primary analysis of a report but unverified sale may be used in a supportive manner.

All verified, valid arm's length transactions must be published in the sales brochure. However, all sales (verified or not) used in analysis should be included in the Brochure even if used only for analytical reference and not directly used as a comparable. *A separate file containing unverified sales or sales determined not to be arm's length transactions should be kept electronically.*

An arm's length transaction is one that the transaction has been negotiated by unrelated parties, each of whom is acting in his or her own self-interest, and that the sale price is based on fair market value of the Property.

Fair market value is "...the amount of money which a purchaser who is willing but not obligated to buy the property would pay to an owner who is willing but not obligated to sell it, taking into consideration all uses to which the land is adapted and might reasonably be applied. Fair market value is not necessarily based on the use to which the property was being put at the date of taking, but is to be based on the fair market value of the land put to its highest and best use. (Arkansas Model Jury Instructions-- Eminent Domain)

### 16.2.3 Market Data Assemblage

The initial effort in preparation of a Sales Brochure should consist of a detailed review of right of way plans, construction plans, and a field inspection of project. Particular attention should be given to the characteristics of the neighborhood; the type, age, trends, uses, etc., of the properties within the defined area of both project and neighborhood. The compiling appraiser(s) should be fully aware of these general issues and any unusual circumstances or anticipated problems. The data acquired should be tailored towards the anticipated general and specific issues.

The compiling appraiser begins the process of the Sale Brochure by assembling all relevant data available, including sales of properties comparable to those affected by the project, and all other data which may influence the values of properties to be appraised. For some projects this might include such things as rental information, current building costs or other site improvement costs.

Current accurate comparable sales information will be provided in a quantity that is sufficient to support the value conclusions as representative of the local market. The data collected must provide a sound basis for valuation of both the before and the after condition of each tract. Usually, three comparable sales are considered an adequate support for valuations; more are recommended when available, particularly for complex appraisal problems, and two are the required minimum.

The market data survey must include an analysis of all recent sales of similar properties in the project area. The Sales Brochures should discuss and evaluate the existing supply of available similar properties (the competition or substitute properties).

Before the commencement and approval of appraisals a completed Sales Brochure will be reviewed and approved by the Reviewer assigned to the project. However, data collection for the Sales Brochure may continue, as needed, through submission of the last appraisal on the project. This is necessary so that late project appraisals will have the same benefit of current market data as appraisals that are prepared early in the project. Revisions and updates to the Sales Brochure will be dated and signed by the person entering the data. Upon completion of the project a final completed Sales Brochure will be retained in the files and saved electronically by the ARDOT.

#### 16.2.4 Selecting Comparable Sales

Selecting properties to use as comparables in the sales comparison approach depends on an analysis of the characteristics of the properties located on the project. The compiling appraiser(s) should identify and list properties on the project by type. The profile of these properties undergirds the search for those sold properties that are most like the project properties.

Generally, the project properties might be classified as commercial, residential, rural, farm, row crop, timber or other term. The ideal situation is to have three sales for each property type. (Two sales is the minimum for a sales approach.) Comparable sales should only be considered within a five year time period. However, in cases of extreme lack of market sales up to ten years or longer may be necessary but are not preferred.

Physical features such as location, neighborhood features, time of sale, and property rights are also important to note. Comparable properties should be as similar as possible to the subject properties from which acquisition is needed. Ideally differences in the physical characteristics of the sites such as size, frontage, shape, topography, drainage, and soil quality should be minimal. Any differences in physical features between the subject properties and the comparables are the basis for adjustments to the sales price of the sold property. The physical features of properties located on a project may vary greatly so in turn the physical features of the sales may need to vary greatly matching as many of the features as possible.

**Property Rights.** In the typical situation, the buyer buys property as a fee simple estate in real property. The buyer has the right to use, possess, traverse, exclude and dispose of the land along with the air and mineral rights. If the subject is a fee simple estate and one of the comparables is not, the appraiser may make adjustments to the sale price to reflect the difference in property rights. Easements and restrictive covenants limit the owner's right to use a fee simple estate. If these easements and covenants have an effect on the market value of the sale the appraiser may make adjustments to the sale price to reflect the difference.

**The Sales Brochure may include some or all of the following items; to the extent they are pertinent to the project:**

- Title page
- Description of Project
- General area maps (i.e.; aerial photographs, zoning maps, flood zone maps, etc.;
- Area Data (neighborhood analysis);
- Time Statement
- Scope of the Market
- Zoning
- Comparable Market Data Sheets (Sales Sheets)
- Deeds
- Sales Plat
- Assessor's Record Card
- Additional Supporting documentation and exhibits
- Other
- Sales Brochure Checklist

Each of the above elements is described fully in the following Sections.

- **Title Page**

This will include:

1. Project Location
2. Project number
3. Effective date of Sales Brochure, and
4. Name(s) of the person(s) preparing the Sales Brochure.

- **Description of the Project:**

In this section the appraiser has the opportunity to describe, concisely, the proposed transportation project improvement and its impact on the area or neighborhood (often this can be found in the EIS or other environmental documents). The appraiser should describe how the project traverses and impacts the neighborhood. A description of the type of highway facility, access restrictions and how it will affect the properties both generally and specifically is important for the understanding of the appraisal problems. It is proper to discuss or point out various problems that may be encountered regarding access, entrances, proximity or other items considered pertinent to the assignment. Station numbers may be used to pinpoint special problems.

- **General Area Maps, Aerial Photographs, etc.:**

The Sales Brochure must include a sale map that shows the location of each sale, listing or rental referenced by a unique identifier (i.e., number or letter), and the project location. The map must have a north arrow and must identify the properties and their locations sufficiently that they can be found in the field.

A project location map and other appropriate general maps or aerial photographs that might be helpful in the completion of appraisals or to other ARDOT personnel using the Sales Brochure. Examples of maps may include maps or photos of project area, census tract maps, zoning maps, soil classification maps, utility maps, flood plain maps, or wetland maps.

- **Area Data (Project Area - Neighborhood Analysis)**

Neighborhood Features. Ideally, the comparable properties should be located within the scope of the project area. The comparable properties should be in the same market area of the project; however, if appropriate sales are not found within the project area, sales in other areas may be needed. When sales from outside the scope of the market area needed the sales brochure should address the reason for this need. The compiler should insure the other areas where these sales are found have similar economic attributes as that of the project area. An analysis of neighborhood characteristics in which these sales were found should be included.

The appraiser should discuss those economic factors applicable to the project and appraisal assignment. These may be population changes or shifts, employment, agricultural production, water supplies, utilities, sanitation and waste disposal, police and fire protection, etc. It is suggested that the appraiser be concerned only with pertinent information that will add support to the opinion of value and compensation developed. The appraiser should discuss in sufficient detail the neighborhood(s) traversed by the project, so as to provide the reader with an understanding of the type of neighborhood and its economic relationship to the area or county. *(The project environmental impact document produced by the ARDOT's Environmental Division is a great source of information for this analysis.)*

Specifically, the Project Area-Data (including Neighborhood Analysis) should in a narrative discussion analyze the following items:

1. Define and delineate the real estate market area associated within the scope of the project.
  2. Evaluate and analyze the current demand and supply relationships in the local real estate market and describe factors that influence the market.
  3. Describe the existing supply of property for the specific uses within the defined market area that are affected by the project.
  4. Identify uses, sites and parcels of historic significance and describe the effect on the project of these places.
  5. Describe current patterns of land use and trends in the area first and the neighborhood second. This includes new construction planned or under way, vacant sites as potential competition for the subject(s), adequacy and availability of utilities, access, impaired sites nearby, etc.
  6. Identify current economic factors affecting the area and neighborhood, including population, employment, income, interest rates, rents, zoning, and other regulations. Discuss the probability of future changes for these factors, as relevant.
  7. Describe the neighborhood and the affects the project to the neighborhood after completion of the proposed transportation project.
- **Time Statement:**  
A good indicator for the increase and decrease of real estate values in an area based in the influence of time is the sale and re-sale of the same property without any changes, or accounting for the changes, in the property other than time. Another indicator for change in property values due to time is the comparison of two or more different sales with similar characteristics except for the difference in the date of the sales.

**Time of Sale:**

The date of the comparable property's sale is an indication of the market circumstances under which the comparable property sold. Ideally, the sale of the comparable properties should as near to the date of appraisal as possible. This is to insure that major economic and demographic factors affecting the market remain unchanged. If the comparable properties sold months in the past, an adjustment may be needed for the changes in market conditions.

The estimate of an average annual time increase is based upon the study and analysis of sales and resales and augmented by the knowledge of national, state, and local trends including information received from real estate professionals, landowners, and others in the local area.

- **Scope of the Market:**  
State the extent of the process of collecting, confirming and reporting data. This statement of scope should be to the point. If the property is improved and land only valuations are required, include a statement limiting the scope. If "Before and After" Appraisals are anticipated, the data collection process must include sufficient comparable sales of the after condition of property as well as comparable sales of the before property. Sometimes the scope of the market can vary from property type to property type.
- **Zoning:**

Zoning ordinances and other land use regulations and maps should be included in the Sales Brochure. The type of zoning in the project area and the degree of enforcement should be noted in the brochure. The Sales Brochure should include a summary of those applicable zoning classifications as to minimum and maximum requirements for area, setback and sideline clearances and probability of obtaining variances.

- **Comparable Market Data Sheets (Sale Sheets):**

A comparable market data sheet (sale sheet) must be included for every verified sale or value indicator (listing or unclosed contract). Some type of exhibit is required which summarizes the details of all comparable data. This can be most beneficial to the appraiser in the analysis of the sales and selection of sales used in the appraisals. Items which should be included, but not limited to, are as follows: Sale number, grantor, grantee, location, sale date, sale price, size or area, overall unit price, unit price for buildings, land and site improvements. The ARDOT sale template is required to be used by Staff Appraisers, and recommended for consultant appraisers. All pertinent data shown on the ARDOT template must be included in each market data sheet submittal. Descriptions must be sufficiently clear to locate each sale in the field.

The appraiser should estimate the land/improvement allocation for each improved property. The basis for the allocation, including supporting data, reasoning and correlation, must be provided.

Each Sale's Sheet will have attached **at least** two photos of each comparable property to provide the user with a clear understanding of the property. This requirement applies to developed and vacant property.

- **Deeds**

Sales Sheet shall be supported by the recorded deed describing the transaction. In addition, a scanned copy of the deed (properly labeled with the sales number and Book and Page) should be kept on the "R" drive within the Project and Sales folder. The primary purpose to the having a copy of the deed is to have a complete copy of the legal description. However, much more information can be gleaned from the complete deed.

- **Sales Plat**

A complete plat of the sale, based on the legal description found within the deed should be included. The purpose of this is to give the exact size and picture of the boundaries of the sale, to help the appraiser and reader to understand the depth, shape, and breadth of the property.

- **Assessor's Record(s)**

A copy of the Assessor's Record(s) can assist in the understanding of the details the sales. This can be an important reference even after the sale has been verified. This record can be used to verify the number and type of improvements located on the property, especially those improvements which are located on the far reaches of the property.

- **Supporting Documentation and Exhibits**

Attach any general documentation or general supporting data that may be pertinent to multiple appraisals performed on the project such as:

- Utilities description
- Millage Rates
- Soil descriptions, classifications and qualities
- Sales Summary Chart.

A variety of published materials is available and may be considered. When discerning the appropriateness of these materials it is important to consider only that information that will add support to the appraisals for the project.

Possible adjustments such as Location, Time, size, Topography, Utilities, Access.

If the compilers of the Sales Brochure have identified possible adjustments, then a summary and description of each adjustment identified should be presented in the Sales Brochure.

- **Other:**

Sufficient market data are not always available to evaluate all types of properties subject to acquisition. When market data are limited, or comparability is weak, the Appraiser must demonstrate a concerted effort to obtain other sources or types of supporting data.

The following indicators of value may be included in the Project Sales Brochure for the purpose of illustrating a trend, extremes, or adjustments but may not be used as the only indication for value:

- Unconfirmed sales,
- Listings,
- Earnest money agreements,
- Offers to purchase,
- Lease or purchase options,
- Sales to or from agencies having power of eminent domain,
- Estate sales between relatives,
- Trades and/or exchanges,
- Foreclosure sales,
- Sales made under duress,
- Bankruptcy estate sales, and
- Auctions.



**EXHIBIT: STEPS IN CREATING THE SALES BROCHURE**

1. Receive or obtain plans for assigned project
2. Look at project (a preliminary and cursory look at the project may be accomplished with the aid of computer programs such as Google Earth®, DataScout Pro, ARDOT's Multimedia-base Highway Information System (MMHIS) and others but before the sales are verified, a physical, on-site inspection of the project should be accomplished.)
3. Area Data (Project Area-Neighborhood Analysis) - Identify and create a description of the Area or Neighborhood of project.
  - a. The Environmental Impact Study (EIS) or other environmental studies completed by the ARDOT gives a depiction of the Project and project area and should be used as the starting point for the Area/Neighborhood Description.
  - b. (Sources: EIS, Census Information, Chambers of Commerce, etc.)
4. Scope of the Market -Identify the scope of sales search and analysis- describing the parameters of search.
5. Identify types of properties affected by project (commercial, residential, rural, farm, row crop, timber, etc.)
6. Identify possible sales. Ideally three sales for each type of property are preferred. A sales comparison grid should contain a minimum of two (2) sales. Once five (5) sales of a particular type of property are verified, efforts should be directed at verifying the sales for the other property types. Even if sales of particular properties cannot be verified in a timely manner, they should be identified and information gathered in order that the appraiser of this particular property can continue the verification process.
7. Obtain Assessor's property data card of possible sales
8. Archive Assessor's property data card of possible sales by saving, scanning or otherwise keeping a permanent copy
9. Obtain a copy of the deed for the possible sales
10. Archive the deed of possible sales by saving, scanning or otherwise keeping a permanent copy
11. Map possible sales
12. Inspect and photograph possible sales
13. Verify possible sale (When photographing properties, the appraiser should stop and knock on the door to attempt verification and or leave a card or other contact information.)
14. Complete Sales Data sheet of verified sale

15. Complete and print a pdf using Adobe Acrobat DC (or paper copy) of the Sales Brochure includes all sales sheets and supporting documentation.
16. Present Sale Brochure to Reviewing Appraiser for Approval ***(No appraisals should be approved until after the Sale Brochure is approved by the Reviewing Appraiser assigned to the project.)***

Data collection for the Sales Brochure will continue through submission of the last appraisal on the project. This is necessary so that late project appraisals will have the same benefit of current market data as appraisals that are prepared early in the project. After the completion of the project, electronically archive the Final and Complete Sales Brochure in the Job Folder on “R” drive.

## EXHIBIT: VERIFICATION OF DATA

### Confirmation or Verification of Data for Comparable Sales

Comparable sales should be verified with one or more parties who were directly related with the transaction (e.g., buyer, seller, broker, closing agent, etc.). *The best source of verification are the principles to the transaction, **AKA THE BUYER AND SELLER.***

Once a sale is confirmed with a direct party to the sales transaction, the appraiser is required to provide the person's name with which the sale was confirmed, their relationship to the transaction and their contact information.

Try to interview parties in person. **KNOCK ON THE DOOR.** Attempt to call Grantee before the Grantor. Letters may be sent if no other means of contact is available, but letters should not be used until after face to face or phone contact has been attempted.

Introduction: State your name, where you work and explain the reason why you are making contact and present identification if meeting face to face.

Ask if they would please help you in your job and explain why you need information.

**Public information.** Tell the person that you noted in the public records that a property had been bought or sold, and tell them who the buyer and sellers were, X (to/from) party Y.

Ask why the property was purchased (sold), what is it used for now and what is the intended use.

Find out if the buyer and sellers or their spouses are related or friends, business partners, or otherwise known to each other.

Known and Unknown information should be verified

Ask whether there was anything else transferred or traded (i.e., personal property), given, received or otherwise included by either party other than the real estate or included as compensation other than the stated dollar consideration.

Ask if any personal property included in transaction (Equipment, Machines, Cattle, Trucks, etc.).

Ask if there have been any changes made in the property since the transfer. Get specifics as to changes and costs.

Ask if they consider the price to be fair and reasonable. If not, Why?

(If the property is leased) - Request to look at the lease (if not on record) Assure strict confidentiality and restate your need and use of information.

Ask about interior details of property, they will usually ask you to see for yourself, if not then ask politely if they would mind if you take a quick look through or around the property. Don't insist, but be prepared to overcome negative assertions about the condition of the premises. Assure the party that you are only interested in what the building is made of, floors, walls, etc.

Ask if the buyer paid cash using conventional financing or some other arrangement.

Ask about zoning, restrictions, easements, minerals (except most city lots) and interest acquired by purchaser.

Ask if they own adjoining or nearby properties and if these properties influenced their decision to buy the property.

Ask if they are, or have recently purchased or sold other properties in the area, or know of such sales.

Ask, if farm property, were animals, hay, standing crops, equipment machinery, trucks, etc., included in sale price, fertilization of ground at time of sale.

Ask about condition of building, heating, cooling needs and other attributes at the time of sale.

Ask information that will help you correctly understand the sale you are considering for possible use.

Ask if they recall how much they paid (or were paid) for the property. (Try not to suggest the price.)

Ask where pertinent, about soil condition, wet land, restrictions, air and water pollution regulations, or other possible restrictions or constraints upon use or development of property.

Ask if they have looked at several properties before buying, and why did they choose this property? What was appealing about this property?

Ask what is the new owners intended use of the property, if such use is not obvious such as residential, etc.

Ask the reason for purchasing the property, and the reason the owner was trying to sell it if known.

Ask if you can take photographs.

Ask, concerning income property, for:

Gross Income, Number of Units, Vacancy & credit experience, Number of rooms, baths or net rentable area, Expenses, who pays utilities, Rent(s) at date of sale, Deposits, Parking, a copy of the lease or details of the lease...

Ask about taxes and insurance, do they claim this as their homestead?

DO NOT

Ask "Did you pay \$X for the property?" Instead, ask if they recall how much they paid.

DO NOT

Start asking questions until you are sure the person understands who you are, who you are working for, why you need to know and how the information will be used.

DO NOT

Insist or demand anything. They don't have to tell you anything.

**DO NOT**

Forget to ask about all pertinent facts during the interview - call backs are a waste of time and tend to upset people.

**DO NOT**

Put "words in their mouths" - Let them tell you in their language and remember to note their language.

**DO NOT**

Rephrase others language and perhaps slightly reverse the meaning. This can slant results.

*A separate file containing unverified sales or sales determined not to be arm's length transactions should be kept electronically.*

**EXHIBIT: Sales Brochure Checklist****Sale Brochure Checklist**

- ☐ Title page
- ☐ Description of Project
- ☐ General area maps (i.e.; aerial photographs, zoning maps, flood zone maps, etc.;
- ☐ Area Data (neighborhood analysis);
- ☐ Time Statement
- ☐ Scope of the Market
- ☐ Zoning
- ☐ Comparable Market Data Sheets (Sales Sheets)
- ☐ Deeds
- ☐ Sales Plats
- ☐ Assessor's Record Card
- ☐ Supporting documentation and exhibits
- ☐ Sales Brochure Checklist

Market data on file with ARDOT may be shared on request with those outside of the Appraisal Section, Right of Way Division or ARDOT, with no guarantee as to its accuracy or relevance. Any staff or contract valuation professional who receives market data from ARDOT should independently verify, confirm, and inspect the data, especially if preparing a report for court purposes.

## 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.

#### **Accepted Appraisal.**

An appraisal accepted by the ARDOT review appraiser.

#### **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.**

1. The process of obtaining right of way by negotiation or eminent domain to construct or support a project.
2. Activities to obtain an interest in, and possession of, real property.

#### **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.**

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.**

1. The act or process of developing a value opinion.
2. A written statement or report 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, supported by the presentation and analysis of relevant market data.

**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.**

An accepted appraisal that is approved by the ARDOT review appraiser and used in support of the recommended just compensation.

**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.

**Building.**

A constructed structure designed to stand, more or less, permanently, covering a space of land, usually covered by a roof and more or less, enclosed by walls and serving as a dwelling,

storage building, factory or shelter for animals and thus generally designed for some type of occupancy.

## 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.

### **Contributory Value.**

The dollar amount that buildings, structures, or other improvements contribute to fair market value of the total property. Contributory value is normally synonymous with "value in place".

### **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.**

The loss in the value attributable to remainder property due to the severance or consequential damages that arise when only part of an owner's real property is acquired.

**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.

**Mobile Home.**

Includes manufactured homes and recreational vehicles used as residences.

**Monument.**

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

**Mortgage.**

Such classes of liens as are commonly given to secure advances on, or the unpaid purchase price of, real property, under the laws of the State in which the real property is located, together with the credit instruments, if any, secured thereby.

**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.**

Generally, movable items; that is, those not permanently annexed to and a part of real estate. In deciding whether or not a thing is personal property or real estate, usually there must be considered (1) the manner in which it is affixed; (2) the intention of the party who made the annexation (that is, to leave permanently or to remove at some time); (3) the purpose for which the premises are used. Generally, and with exceptions, items remain personal property if they can be removed without serious injury either to the real estate or to the item itself.

**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.
2. Any interest in land and any improvements thereto, including fee and less-than-fee interests such as: temporary and permanent easements, air or access rights, access control, options, and other contractual rights to acquire an interest in land, rights to control use or development, leases, and licenses, and any other similar action to acquire or preserve right of way for a transportation facility.

**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.**

The probable sale price of an item offered for sale to knowledgeable buyers with the requirement that it be removed from the property at a buyer's expense. This includes items for re-use as well as items with components that can be reused or recycled when there is no reasonable prospect for sale except on this basis.

**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 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 Department has determined has little or no value or utility to the owner.

**Uniform Act.**

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (Public Law 91–646, 84 Stat. 1894; primarily codified in 42 U.S.C. 4601 et seq.), and the implementing regulations at 49 CFR part 24.

**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.

## **Appendix**

### **A. Appraisal Templates**

1. [ARDOT Long Form Appraisal](#)
2. [ARDOT Short Form Appraisal](#)
3. [ARDOT Compensation Estimate](#)
4. [ARDOT Court Appraisal](#)
5. [ARDOT Court Mortgage Appraisal](#)
6. [ARDOT Comparable Sale Sheet](#)
7. [Appraiser's Checklist](#)

### **B. Useful Links**

### **C. Index of Key Words**

**ARKANSAS DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY APPRAISAL REPORT**

**LONG FORM  
APPRAISAL**

**Arkansas Job Number:**  
**Location:**

**County:**

**Tract:**

Fee Owner(S):  
Address:  
Phone:

Tenant(S):  
Address:  
Phone:

---

Area of Whole:	Permanent Easement(s):
Area of Remainder:	Temporary Easement(s):
Area of Acquisition:	
(Title Certificate and Legal Description Attached)	

**ESTIMATED FAIR MARKET VALUE OF THE PROPERTY**

	<b>Before</b>	
Land:	\$	
Improvements:	\$	
Total:		\$
	<b>After</b>	
Land:	\$	
Improvements:	\$	
Total:		\$
FAIR MARKET VALUE OF ACQUISITION:		\$
Temporary Easements:		\$
<b>Total Compensation as of:</b>		<b>\$</b>

**ALLOCATION OF COMPENSATION**

Land:	\$
Permanent Easements:	\$
Temporary Easements:	\$
Improvements: <a href="#">here or (see breakdown pg. XX)</a>	\$
Damages: <a href="#">Remainder Land Res LT. \$0.00 Res RT. \$0.00</a>	\$
Cost to Cure Items:	\$
<b>Total Compensation:</b>	<b>\$</b>

\_\_\_\_\_  
, Appraiser

\_\_\_\_\_  
Date

QC:\_\_\_\_\_

**ARKANSAS DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY APPRAISAL REPORT**

**CERTIFICATE OF APPRAISER**

I, as the appraiser signing this report, hereby certify:

I have made a personal field inspection of the comparable sales relied upon in making said appraisal.

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

That the statements contained in the appraisal herein set forth are true, and the information upon which the opinions expressed therein are based is correct.

The analyses, opinions, and conclusions are limited by the assumptions, limiting conditions, and legal instructions, and are the personal, unbiased, professional analysis, opinions, and conclusions of the appraiser.

No one provided significant real property appraisal assistance to the person signing this certification.

That the existence of potentially hazardous material used in the construction or maintenance of any structures, and/or the existence of hazardous materials or hazardous waste, which may or may not be present on the property, was not observed by me; nor do I have any knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The existence of hazardous materials or potentially hazardous waste material may have an effect on the value of the property.

That I understand that such appraisal may be used in connection with the acquisition of right-of-way for a project to be constructed by the State of Arkansas with the assistance of Federal-aid highway funds, or other Federal funds.

That such appraisal has been made in conformity with the appropriate State laws, regulations and policies and procedures applicable to appraisal of right-of-way for such purposes; that in appraising the value before acquisition, no consideration has been given to increases or decreases in Fair Market Value caused by the public improvement; and that to the best of my knowledge no portion of the value assigned to such property consists of items which are non-compensable under the established law of said State.

That this assignment was not contingent upon developing or reporting predetermined results.

That I am an employee of the Arkansas Department of Transportation, this appraisal is completed as part of my duties in this capacity, neither my employment nor my compensation for making this appraisal and report are in any way contingent upon the values reported herein.

That I have no direct or indirect present or contemplated future personal interest in such property or in any benefit from the acquisition of such property appraised.



**ARKANSAS DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY APPRAISAL REPORT**

**CERTIFICATE OF APPRAISER continued**

I have no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

That I have not revealed the findings and results of such appraisal to anyone other than the proper officials of the Arkansas Department of Transportation of said State or officials of the Federal Highway Administration, and I will not do so until so authorized by said State Officials, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

That I have made a personal inspection of the property appraised. The property owner, or a designated representative, was given the opportunity to accompany the appraiser on the property inspection. The offer was [accepted/not accepted](#)

That in my opinion the basis for just compensation for the acquisition as of [July 25, 2007](#) is [\\$0.00](#) based upon my independent appraisal and the exercise of my professional judgment.

---

, Appraiser

Date

## **SCOPE OF WORK**

This Scope of Work is a summary of expectations and responsibilities of the appraiser as to the specific requirements of the Arkansas Department of Transportation (ArDOT), for an appraisal in which a basis for just compensation is established. The specific requirements of the ArDOT as to appraisals can be found in various publications and manuals of the Right of Way, such as the “Right of Way Manual”, the “Acquisition Pamphlet” and the Appraisal Section SOP.

**Laws of the State of Arkansas, 49 CFR 24.103, (The Uniform Act) and the Uniform Standards of Professional Appraisal Practice (USPAP):** Appraisals made for the ArDOT must conform to the unique qualities and standards for an agency which has the power of eminent domain. Determining just compensation requires that such appraisals must be performed in a manner consistent with applicable State and Federal Law, including ArDOT policy which are intended to be consistent as much as possible with the Uniform Standards of Professional Appraisal Practice (USPAP).

The Uniform Act applies to the appraisals and acquisitions when the State uses Federal funds in any part of a project. The purpose of the Uniform Act is to ensure that all property owners are treated fairly and uniformly when it is necessary for their property to be acquired for any federally assisted project. The Uniform Act allows the State to have appraisal requirements that supplement the Uniform Act requirements.

49 CFR 24.103(a) (a) requires that the Federal Requirements, which have the standing of Standards, cannot be supplanted by USPAP. The Uniform Act explains:

**“While these requirements (49 CFR 24.103(a)) are considered consistent with USPAP, neither can supplant the other, nor interchangeable. Appraisals performed for federal and federally-assisted real property acquisition must follow the requirements in this regulation.”**

Fortunately, USPAP has provisions to permit it to be flexible and interact with other appraisal standards. The Jurisdictional Exception Rule in USPAP allows appraisers to perform appraisal services and comply with the various appraisal standards and requirements. “When an appraiser properly follows this Rule in disregarding a part of USPAP, there is no violation of USPAP.” (USPAP 2018-2019 Edition)

The State of Arkansas is a “before and after” state. This means that when the ArDOT is to acquire property on behalf of the state, the basis of just compensation is the conclusion reached in a “before and after” appraisal.

In arriving at the amount of just compensation to which the property owner is entitled, the appraiser first determines the fair market value of the whole property immediately before the taking, and then determines the fair market value of the remaining property immediately after the taking. The compensation the property owner is entitled to recover is the difference, if any, between the fair market value of the whole property immediately before the taking and fair market value of the remainder property immediately after the taking. In determining the fair market value of the remaining property immediately after the taking, the appraiser considers the remaining property as if the project was completed and permanently in place according to the construction plans on file.

In the same way when the government of the United States acquires property a “before and after” appraisal is required as the basis of just compensation. The federal government has promulgated

**SCOPE OF WORK**

the Uniform Standards of Federal Land Acquisition (USFLA) to define the parameters of these appraisals for federal acquisitions under federal jurisdiction. This reference guide is commonly known as the “Yellow Book”. The USFLA document does not have authority over states or state law.

In the absence of a statutory mandate, the Appraisal Section looks to the USFLA as a source of best practices and as an example to the critical analysis and problem solving of appraisal issues that have already been vetted by other similar circumstances. Our appraisals are intended to be consistent with the spirit of the USFLA.

Conflicts of appraisal practice and reporting of these multi-agency requirements are minimal. When there is conflict, the Laws of the State of Arkansas take precedence, then the Uniform Act and CFR.

**PURPOSE OF APPRAISAL:**

The purpose of this appraisal is to estimate market value of the within described property as a basis for just compensation. The facts, analyses, opinions, and conclusions contained in this appraisal report are the basis of an estimate of the before and after market value of the subject property. The difference between the before and after value is the basis for just compensation. The estimate of compensation, in this report, includes the market value of the acquisition, costs to cure, and any damages or benefits, to the extent that benefits are allowed by the Laws of the State of Arkansas and applicable standards.

**THE PROPERTY RIGHT(S) TO BE ACQUIRED:** e.g., fee simple, easement, etc.,

**ESTATE APPRAISED:** Fee Simple

The Dictionary of Real Estate Appraisal, 5th Edition, copyright 2010, page 78, by the American Institute of Real Estate Appraisers defines the "Fee Simple Estate" as: "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat."

**INTENDED USE:**

This appraisal is to estimate the fair market value of the subject property, in the whole and remainder. This appraisal will be the basis for just compensation, as of the specified date of valuation, for the proposed acquisition of the property rights specified below, which is part of federally assisted project.

**INTENDED USER:**

The intended user of this appraisal report is the Arkansas Department of Transportation.

**Competency of the Appraiser:**

- Staff Appraiser qualifications are retained in the files of the Right of Way Appraisal Section, Arkansas Department of Transportation, a summary of which might be found in the addendum.
- The appraiser selected to complete this report has been deemed competent to complete the appraisal assignment.

**SCOPE OF WORK****MARKET VALUE (Fair Market Value):**

For the purpose of valuing the property, including land and any building, structure and improvement thereon, acquired under the power of Eminent Domain by the Federal government or using Federal-aid or Federal grant funds, ***Fair Market Value*** is the amount of money (cash or its equivalent) which, as of the date of valuation:

- a. An informed and knowledgeable purchaser willing, but not obligated, to buy the property would pay to an informed and knowledgeable owner willing, but not obligated, to sell it. ,
- b. Taking into consideration all uses for which the property is suited and might in reason be applied; including, but not limited to the present use or highest and best available use taking into consideration the existing zoning or other restrictions upon use and the reasonable probability of a change in those restrictions.
- c. Allowing a reasonable period of time to effectuate such sale.
- d. Disregarding any decrease or increase in fair market value of such real property prior to the date of valuation caused by the public improvement for which such property is acquired, or by the likelihood that the property would be acquired for such improvement, other than that due to physical deterioration within the reasonable control of the owner.
- e. Disregarding the fact that the owner might not want to part with the land because of its special adaptability to the owner's use.
- f. Disregarding the fact that the taker needs the land because of its peculiar fitness for its purpose.
- g. Disregarding any "gain to the taker", i.e., not giving consideration to the special use of the condemnor as against others who may not possess the right of Eminent Domain.
- h. Including the value of any buildings, structures, or improvements located upon the land, which are required to be removed or which it is determined will be adversely affected by the use to which such real property will be put, regardless of whether such building, structure or improvement is classified as real or personal property under local law. Such buildings, structures and improvements are valued based upon their contribution to the fair market value of the real property to be acquired or their value for removal from the real property (salvage value), whichever is greater. This includes tenant owned buildings, structures, or improvements, even if the tenant has a right or obligation to remove the building, structures, or improvements at the expiration of the lease term and even if classified as personal property under local law.
- i. Fair market value, based upon adequate recent comparable sales and offering data is usually the measure of just compensation.

**(FHWA: The Appraisal Guide)**

**Also**

When I use the expression "fair market value," I mean the amount of money which a purchaser who is willing but not obligated to buy the property would pay to an owner who is willing but not obligated to sell it, taking into consideration all uses to which the land is adapted and might reasonably be applied. Fair market value is not necessarily based on the use to which the property was being put at the date of taking, but is to be based on the fair market value of the land put to its highest and best use.

**(Arkansas Model Jury Instructions - Chapter 20 - Eminent Domain – AMI 2006 Definition)**

**SCOPE OF WORK****PREMISES, COMMON ASSUMPTIONS, AND LIMITING CONDITIONS**

This appraisal is predicated on the premise that:

1. The sketch map, construction plans, and/or tract descriptions furnished the Appraisal Section by the Engineering Section are correct.
2. The attached title certificate is correct and reflects the fee owner and all holders of less than fee interests in the property, and reflects current real estate tax information. The appraiser does not render any opinion as to the title. Unless otherwise specified in the report, the property is analyzed as though free and clear and under responsible ownership and competent management.
3. Information, data, estimates and opinions contained in this report were obtained from sources considered reliable; however, no liability for them can be assumed or guaranteed by this appraiser. Information furnished by others is assumed to be true, correct and reliable. A reasonable effort has been made to verify such information; however, the appraiser assumes no responsibility for its accuracy. The value conclusions are subject to the correctness of said data.
4. Consideration has not been given in this appraisal to personal property located on the premises, or to the cost of moving or relocating such personal property unless otherwise stated.
5. Possession of this report or any copy hereof does not carry with it the right of publication, nor may the same be used for any purpose by any party except the Arkansas Department of Transportation without the previous written consent of the appraiser, and in any event, only in its entirety and with proper qualification. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relation, news, sales or other media without the written consent and approval of author.
6. The appraiser acknowledges that a copy of the report will be provided to the owner of the property appraised, or their representative.
7. No opinion is expressed as to the value of subsurface oil, gas, or mineral rights and that the property is not subject to surface entry for the exploration or removal of such materials except as is expressly stated.
8. No consideration has been given in the appraisal to the value, if any, attributable to growing crops on any portion of the property appraised unless otherwise stated.
9. The estimated value after acquisition is based on the project being constructed in the manner proposed, as furnished to the appraiser as of the date of appraisal.


**Hypothetical Conditions, Extraordinary Assumption and Jurisdictional Exceptions:**

EXTRAORDINARY ASSUMPTION: an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. (USPAP 2018-2019 Edition, Definitions)


HYPOTHETICAL CONDITION: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. (USPAP – Definitions)

## SCOPE OF WORK

**JURISDICTIONAL EXCEPTION:** an assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP. (USPAP – Definitions) The **Jurisdictional Exception Rule** provides a saving or severability clause intended to preserve the balance of USPAP if compliance with one or more of its parts is precluded by the law or regulations of a jurisdiction. When an appraiser properly follows this Rule in disregarding a part of USPAP, there is no violation of USPAP. (USPAP 2018-2019 Edition)

1. Appraisers should not *link* opinions of value, for appraisals completed for the , to a specific opinion of exposure time, unlike appraisal assignments for other purposes under USPAP Standards Rule (This is a jurisdictional exception.)

*Exposure time is the estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. (USPAP – Definitions)*

The previously stated definition of market value allows “a reasonable period of time to effectuate such sale.” Therefore, exposure or marketing time estimates are inappropriate for, and must not be included in, appraisal reports prepared for the . The request to provide a reasonable marketing time opinion exceeds the normal information required for the conduct of the appraisal process for eminent domain in Arkansas and is beyond the scope for this type of appraisal assignment.

2. When completing a “before and after” evaluation or report, it is a hypothetical condition to consider the project completed and in place in order to calculate the “after” or remainder value.

3. The appraiser has **not** considered any general benefits or diminutions based on the influence or knowledge of the project in the calculation of compensation. This is a jurisdictional exception.

According to the Uniform Standards of Professional Appraisal Practice (USPAP), appraisers “When analyzing anticipated public or private improvements, located on or off the site, an appraiser must analyze the effect on value if any, of such anticipated improvements to the extent they are reflected in market actions.” (USPAP 2018-2019, SR 1-4 (f)).

### **Arkansas Case Law states**

In determining the fair market value of lands involved in a condemnation action any appreciation or depreciation to land values that may result by reason of the plans to construct the highway improvement is disregarded when arriving at a before value on properties involved in eminent domain proceedings. *Arkansas State Highway Commission v. Griffin*, 241 Ark. 1033, 411 S.W.2d 495 (1967), *Ark. State Highway Comm. v. Littlefield*, 247 Ark. 686, 447 S.W.2d 146 (1969), *Arkansas State Highway Commission v. Roberts*, 246 Ark. 1216, 441 S.W.2d 808 (1969).

In addition, 49 CFR Part 24 states, “The appraiser shall disregard any decrease or increase in the fair market value of the real property caused by the project for which the property is to be acquired, or by the likelihood that the property would be acquired for the project, other than that due to physical deterioration within the reasonable control of the owner. (49 CFR Part 24.103(b)).

*4. (If a partial appraisal)* This appraisal report *has not* valued improvements located on the subject property as they are assumed to be unaffected by the acquisition.

**SCOPE OF WORK****Information provided by the Arkansas Department of Transportation:**

- Right of way plans indicating current ownership, total parcel, areas of acquisition and residuals.
- Certificate of title and description of taking.
- Preliminary construction plans and cross-section of the proposed construction project.
- General Sales Brochure

**General and specific data of subject researched by the appraiser:**

- Zoning
- 5 year sales history
- Copy of tax assessor property record card
- Subject property millage rate
- Leases
- Maps (Floodplain, Topographical, Soil classification and Aerial Photography)
- Available public utilities
- Legal and physical easements

**Property Inspection:** The appraiser

- Has performed an inspection of the subject property appropriate for the appraisal problem and has determined which, if any, of the improvements are affected by the acquisition.
- Has afforded the property owner or a designated representative, the opportunity to accompany the appraiser on an inspection of the property.
- Focused on the area of acquisition including the land and affected improvements of the subject as the primary aspect of the inspection, with a cursory inspection of the residual improvements not affected or damaged by the acquisition.
- Has taken photographs of the property, acquisition area, and affected improvements.
- Identified or attempted to locate the sanitary sewer disposal system.
- Has confirmed or attempted to confirm recent physical changes (if any) to the subject property.
- Has identified realty and/or personal property.



**SCOPE OF WORK**

**Elements of Report:** The report:

- Is a **complete - partial** “before and after” report.
- Meets Arkansas Department of Transportation requirements for the report type.
- Describes the extent of the subject property inspection, including date of inspection and the existence of right of way staking at the time of inspection.
- Includes a description of the physical characteristics (whole and remainder) of the property being appraised as appropriate for type of report.
- States the effective date and the date of reporting.
- Includes a statement of compensation and a breakdown of compensation allocated as to value of the acquisition and damages or benefits as applicable.
- States the highest and best use and current use.
- Identifies all buildings, structures, and improvements (including removable building equipment and trade fixtures) which are included as part of the offer of compensation.
- Includes a sketch with dimensions of any improvements (if improvements values are included in report).
- Notes Realty and/or Personal Property within the report.
- Notes the 5-year sales history of the property, including present or past listings of the subject property.
- Has broken down the compensation between different ownership interests as applicable.
- Describes the use of an expert, when that expert is used to give a specific value, if used in the final estimate of compensation.
- Properly considers the Unit Rule.

**The Unit Rule (AKA the Summation Approach or Compilation):** The unit rule requires valuing property as a whole rather than by the sum of the values of the various interests into which it may have been carved. “A second aspect of the unit rule is that different elements or components of a tract of land are not to be separately valued and added together.” (UASFLA)

This technique is addressed in Standards Rule 1-4(e) of USPAP, which states: *When analyzing the assemblage of the various estates or component parts of a property, an appraiser must analyze the effect on value, if any, of the assemblage. An appraiser must refrain from valuing the whole solely by adding together the individual values of the various estates or component parts.*



**SCOPE OF WORK****DAMAGES AND BENEFITS**

Arkansas Case Law requires that just compensation is to be established by determining the difference between the fair market value of the whole property immediately before the taking and the fair market value of the remaining lands immediately after the taking.

The Arkansas Supreme Court has held that where the public use for which a portion of a property owner's land is taken so enhances the value of the remainder property so as to make it of greater value than the whole property before the taking, the property owner has received just compensation in the form of benefits.

In instances where the remainder is diminished in value by the taking, the courts have awarded "severance damage." Severance damage is the difference between the value of the remainder before the taking and the value of the remainder after the taking.

**SCOPE OF WORK****NON-COMPENSABLE ELEMENTS OF VALUATION CONSIDERATIONS**

It is an established principle that certain elements of valuation, which may occur by reason of a government acquisition of realty, are not compensable in the appraisal as part of eminent domain proceedings in the State of Arkansas. These non-compensable items must be disregarded by appraisers when estimating market value of the real estate to be acquired.

The following is a list of elements of valuation which in and of themselves are non-compensable. This list is not necessarily comprehensive of all non-compensable items.

- Loss of business profits
- Loss of goodwill
- Interruptions of or loss of business, inconvenience, etc. during temporary period of construction.
- The loss of expected profits from a projected subdivision.
- Loss of tenants, business, etc. because of anticipated taking.
- Damage to personal property and moving expense.
- Cost of obtaining or inability to obtain new quarters.
- Annoyances, discomfort, dust, etc. during period of construction.
- Diversion of traffic.
- Circuity of travel.
- Inability to gain access to a newly located highway. (This does not necessarily exclude severance damages where a unit of land has been severed).
- Noise, dust and other such items incident to living on a public highway.
- Bringing about the change in the character of the neighborhood.

**SCOPE OF WORK****APPRAISAL PROCESS:**

Appraisals done for agencies with the power of eminent domain often come under the scrutiny of several different actors including reviewers, acquisition agents, property owners, and lawyers. The development and reporting of value opinions often times require a defense of their opinion beyond a typical fee appraisers experience. For this reason, the appraisal process for an appraisal in this circumstances should be performed in a professional manner and with all due diligence.

When preparing a detailed appraisal for a given property, an appraiser must collect, verify, and analyze all information necessary for credible assignment results. This information may be used in one of three different approaches to the value: the Sales Comparison (or Market) Approach, the Income Approach, and the Cost Approach. In the past appraisal practice, appraisers were expected to incorporate all three approaches in each report. In reality this was seldom done as each approach is not valid for every property. The practice of only using those relevant approaches has now been accepted as normal appraisal practice; however the appraiser must clearly explain why an approach is not used.

If an appraisal problem is such that it can be adequately and reliably addressed without resorting to a traditional three-approach appraisal, then in the interest of economy, only the reliable and relevant valuation technique(s) should be used. Often the appraisal problem can be fully addressed with the sales comparison approach, when this occurs the Department instructs the appraiser to use only that approach. This issue is addressed by 49 CFR *Section 24.103(a) (2)*. All relevant and reliable approaches to value are to be used. However, where an Agency determines that the sales comparison approach will be adequate by itself and yield credible appraisal results because of the type of property being appraised and the availability of sales data, it may limit the appraisal assignment to the sales comparison approach.

The Sales Comparison Approach utilizes the sales of similar properties as the basis for an indication of value for the subject. No matter how similar properties are, there are still differences. If the comparable properties differ in some way from the subject property, adjustments to their sales prices may be necessary to account for the differences. Comparisons are made between the sales properties and the subject, and differences are noted and discussed. Adjustments are only made to the sale prices of the comparables. Areas of considerations include but are not limited to location, time of sale, conditions of sale, terms of financing, and physical characteristics. These comparisons may be qualitative or quantitative.

These qualitative and quantitative adjustments are used to make the comparables essentially similar to the subject property thus giving an indication of sale price. No matter which type of adjustment is used to account for the differences in the property, each adjustment should be properly vetted and thoroughly discussed. The reader should be able to understand the reasoning for each adjustment made. The goal of the adjustment process is to make a comparable property as similar in value to the subject property as possible. Multiple adjusted sale prices are correlated into an indication of market value for the subject by this approach. A grid may use both type of adjustments.

In the Cost Approach, an estimate of the site value is first derived by a comparison of other similar sites, which have sold to the subject site by the direct sales comparison approach. An estimate is then made of the cost of reproducing the subject improvements as today's costs. From this is deducted the estimated loss of value through diminished utility, whether it be from

**SCOPE OF WORK**

physical, functional or locational causes. All such estimates of loss of value through diminished utility are taken from market evidence. The indicated value from this approach is the sum of the site value plus the net value of the improvements.

In the Income Approach, an estimate is made of the market rent, which the subject property might command based on the rental of competitive space. Estimates are also made of the appropriate vacancy and expense ratios for the subject based on information developed from similar properties in the market. Thus, an indication of the net income, which the subject property is capable of producing, is developed. The rate of return on investments in similar type properties is derived from the market, and this rate of return is used to capitalize an indicated net income into an indication of value by this approach.

To arrive at an indication of value, when more than one approach is used, the approaches are correlated into a single conclusion of value. This reconciliation is based on the approach which appraiser has the greatest confidence, the highest quantity and/or quality of data available, and the one in which the appraiser judges to best reflect the behavior of market participants.

**EXPLANATION OF APPROACHES (Reason Used or Not Used):****Sales Approach:**

The subject property is representative of the type of several properties found within the market area of the job. Comparable sales information has been found to support analysis and conclusions needed in the sales comparison approach.

**Cost Approach:**

The age and condition of the improvements greatly affect the veracity of the cost approach. In this case, the age and condition of the improvements located on the subject property is such that the market value indicated by the cost approach might be considered suspect. In the interest of economy of time and effort, and more importantly because sufficient sales data is available for this market, the cost approach was not used to value the subject property.

**Income Approach:**

Most similar properties in the subject area are owner occupied and a reliable estimate of market rent is not supported by the available information. The income approach requires a large amount of data to define the market. The amount of data needed to properly analyze the market was not available to the appraiser, in a timely manner. Weighing all information available for the appraisal of the subject property, the income approach would have little influence on the final estimate of value. Any estimate of market value based on the income approach would therefore not be tested, supported or validated within the general market area.

**SCOPE OF WORK****MARKET CONDITIONS**

The estimation of market values depends on the appraiser's ability to understand and predict the interest of an individual working in a collective environment. Market participants act independently to selfishly protect and maximize their personal interests. There individual actions are measured collectively as each transaction contributes to the entire market.

Market conditions are those variable components of the market value of real estate that contribute to the market value of the real estate. At its simplest level, if there is no demand for a real property, then, there is no market value for the real property. When there is demand there is value in the market.

The market value of the subject property is a function of market demand for the subject property. Market value is driven by various independent market variables. Influencing the market demand for the subject property is the location, size, current use, desired use, potential development cost, availability of money, interest rates, the national economy, the local economy, employment levels, recent development, the number of vacant parcels, availability of alternative property, and zoning limitations or the ease of which zoning might be changed.

**SCOPE OF WORK****Considerations of Value**

The appraiser may have considered several components or characteristics of the subject property to arrive at an estimated market value of the whole, acquisition and remainder states. These characteristics help to paint a word picture of the various states of the subject property and may be addressed in the description of the subject property. Additionally, these considerations may be the basis of comparison between the subject and sales.

Components of Value Considered are:

The subject's location.

The subject property in its present use, and its highest and best use.

Access (egress and ingress) to the subject property, in the before and after.

The nature of the development in the subject property's market area.

The nature of the property in a line-of-sight from the subject property

The existing and implied highest and best use of the properties in the subject's neighborhood.

The utilities and services available to the subject property.

The soil conditions and type of the subject property especially if the subject is agricultural.

The nature of the subject's topography and drainage.

The subject's size in the whole and remainder especially considering the possible uses.

The traffic-count along the road or highway frontage of the subject property.

Varying frontages of the subject property (railroad, highway, water, etc.)

The subject's proximity to the parks, schools, hospitals, churches, and colleges.

Whether the subject is rural, urban, suburban, or urban.

These components, in varying degrees, may have a value-relative influence on the subject property's market value. It is important for the appraiser to consider whether or not these factors considered individually or together have market influence. When the appraiser believes any of these components influences the market value of the subject (positive or negative), it must be addressed in the appraisal.

**GENERAL DATA****ZONING REGULATIONS AND RESTRICTIONS**

Describe subject property's Zoning

(insert a summary of zoning regulations and map- If available)

**FIVE-YEAR SALES HISTORY:**

**From:**

**To:**

**Date:**

**Instrument:**

**Verified-Indicated:**

**Consideration:**

**CHANGES IN PROPERTY SINCE DATE OF PURCHASE:****REAL ESTATE TAXES:**

**Parcel Number:**

**Taxable Value:**

**Millage Rate:**

**Estimated Yearly Tax:**

**GENERAL DATA****Realty / Personalty****Real Estate:**

Dwelling Structure

Attached lighting fixtures and ceiling fans Plumbing  
fixtures

Water heater (2)

Built in cabinets

Frame & metal

outbuildings Fencing

Septic System

Built in appliances (dishwasher, microwave, ovens, cook top)

**Personalty:**

Clothing and Personal Items

Pictures, Lamps, Decorations not permanently affixed

Drapes/Blinds

Picnic table & yard lights Patio

furniture and BBQ grill

Apartment appliances (stove, refrigerator, microwave)

Refrigerator in dwelling



**GENERAL DATA****COMMENTS:** should include

At a minimum a summary of the contact(s) made with the fee owner, including the number of contacts and approximate dates. Describe how each contact was made i.e. by letter (date mailed); a phone call; a face to face meeting at the site of the subject property. The contact must include an invitation to accompany the appraiser, and should include ArDOT POC info, maps and plans, the effect of the project on the subject property, and the nature of further contacts from the ArDOT etc.

**GENERAL DATA**  
**HIGHEST AND BEST USE**

The “highest and best use” of the property means the most favorable purpose to which the property is adaptable and the most valuable purpose for which it could have been used in the not too distant future. Highest and best use means the most advantageous use to which the property could actually be put without entering into speculation. It is the use of the property that would produce the maximum economic value on the date of the taking. -- Arkansas Model Jury Instructions-- Eminent Domain

In common appraisal practice the Highest and Best Use is defined as:

That reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal. Alternatively, that use, from among reasonable probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible and which results in highest land value.

The definition above applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land in its highest and best use exceeds the total value of the property in its existing use.

Implied within these definitions is recognition of the contribution of that specific use, to community environment or community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e. that the use determined from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In context of most probable selling price (market value) another appropriate term to reflect highest and best use would be most probable use. In the context of investment value an alternative term would be most profitable use. (1)

Four tests are used to establish highest and best use of a site. To qualify as the highest and best use all four tests must be satisfied. That is, the use must be:

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

(1) The American Institute of Real Estate Appraisers, The Appraisal of Real Estate, 13th Edition 2008, page(s) 277/278.

**ANALYSIS****HIGHEST AND BEST USE - WHOLE PROPERTY**

These sections require that the appraiser define, identify, and address the four tests of highest and best use:

1. what type of development is legally permissible;
2. the physically possible uses of the subject parcel;
3. the uses that are financially feasible as of the effective date of the appraisal; and finally,
4. the use that maximizes the subject's productivity.

For both the Whole and Remainder properties, the appraiser analyzes the subject's highest and best use as vacant and then, if applicable, as improved. If it is determined that the subject parcel improvement(s) represent an interim use, this should be fully discussed.

**HIGHEST AND BEST USE - REMAINDER PROPERTY**

**ANALYSIS**  
**NARRATIVE DESCRIPTION**

**WHOLE**

**Size:** actual size; square feet or acres

**Shape:** square, rectangular, triangular, irregular, etc.

**Usage:** how is the property being utilized vacant or improved (commercial, residential, pasture, woodland, etc.) and how much of each if multiple usage).

**Location:** specifically, (which side of what road, how far from a familiar land mark, in what community or town, in what county and in what state).

**Frontage:** how much frontage along which road, lake, river, railroad, etc.

**Depth:** How far the land goes back on the property inside of the property lines. List depth and if irregular give range of depth.

Topography: level, rolling, steep, etc.

**Drainage:** natural or otherwise, wetland or flood plain and what portion of each is present on whole property.

**Soil:** if the subject is cropland this needs to be a very specific and should include crop bases that may be obtained at the united states-soil conservation service office. Otherwise, the basic soil type is sufficient.

**Water:** wells, ponds, streams, etc.

**Utilities and services available:** list them. (Typical urban utilities may include phone, electric, water, gas, cable... Typical urban services may include Police and Fire Protection, Sanitation: Sewer/Trash pickup...)

**Access:** developed or available (describe visibility, elevation or anything unusual or unique about the access to the subject).

**Improvements:** list and describe all buildings, fences, etc., and be sure to state the distance from the existing r/w to buildings (especially if damaged by the acquisition). (*Timber is considered an improvement to the property.*)

ANALYSIS  
PHOTOGRAPHS OF THE WHOLE

DIRECTION:      DATE:      INITIALS:

DIRECTION:      DATE:      INITIALS:

*Interior*

DESCRIPTION:      DATE:      INITIALS:

DESCRIPTION:      DATE:      INITIALS:

**ANALYSIS**  
**NARRATIVE DESCRIPTION**

**ACQUISITION**

The Arkansas Department of Transportation (ArDOT), is in the process of acquiring right of way for the purpose of constructing for *widening or new location* of US Highway through\_. Eventually, this will be a \_\_\_\_\_ facility.

An area of land is required from the subject property in order to develop and eventually construct the newly designed US Hwy ....

**Size:** actual size; square feet or acres

**Shape:** square, rectangular, triangular, irregular, etc.

**Location:** what portion of the whole property is included in the acquisition area

**Improvements included:** buildings, fences, parking, landscaping, etc.

**Loss:** anything, which has been lost or acquired, should be discussed. (Access, water supply, marketability, usability, etc.)

**TCE** - In addition to the acquisition in fee an additional area known as a temporary construction easement (TCE) is needed for this project. The TCE contains some  $\pm$  feet. A temporary construction easement is generally acquired in conjunction with a permanent acquisition and often abuts the boundaries of the permanent acquisition. The TCE is used in addition to the permanent acquisition area for initial construction of the public improvement. After initial construction of the public improvement is completed, the construction easement expires and the unencumbered fee interest in the land reverts back to the owner.

**PCE** - In addition to the acquisition in fee an additional area known as a permanent construction easement (PCE) is needed for this project. The PCE contains some  $\pm$  feet. Permanent easements, when required, are designed to provide future access to certain areas for additional work, if necessary. Permanent easements are appraised as if the fee interest is being acquired and the remaining lands are treated accordingly.

Please see attached Right of Way plans for exact shape, dimensions, and detail of acquisition.

ANALYSIS  
ACQUISITION PHOTOS

DIRECTION:      DATE:      INITIALS:  
*Interior*

DESCRIPTION:      DATE:      INITIALS:

**ANALYSIS**  
**NARRATIVE DESCRIPTION**

**REMAINDER**

**Size:** actual size; square feet or acres

**Shape:** square, rectangular, triangular, irregular, etc.

**Usage:** how is the property being utilized vacant or improved (commercial, residential, pasture, woodland, etc.) and how much of each if multiple usage).

**Location:** specifically, (which side of what road, how far from a familiar land mark, in what community or town, in what county and in what state).

**Frontage:** how much frontage along which road, lake, river, railroad, etc.

**Depth:** How far the land goes back on the property inside of the property lines. List depth and if irregular give range of depth.

**Topography:** level, rolling, steep, etc.

**Drainage:** natural or otherwise, wetland or flood plain and what portion of each is present on whole property.

**Soil:** if the subject is cropland this needs to be a very specific and should include crop bases that may be obtained at the united states-soil conservation service office. Otherwise, the basic soil type is sufficient.

**Water:** wells, ponds, streams, etc.

**Utilities and services available:** list them. (Typical urban utilities may include phone, electric, water, gas, cable... Typical urban services may include Police and Fire Protection, Sanitation: Sewer/Trash pickup...)

**Access:** recap accessibility especially recognizing what has changed from that which was available to the whole property. developed or available (describe visibility, elevation or anything unusual or unique about the access to the subject).

**Improvements:** specifically, what is the proximity of the proposed r/w and or what effect has the acquisition had on any of the improvements to the remainder property.



ANALYSIS  
PHOTOGRAPHS OF THE REMAINDER

DIRECTION:      DATE:      INITIALS:

DIRECTION:      DATE:      INITIALS:

*Interior*

DESCRIPTION:      DATE:      INITIALS:

DESCRIPTION:      DATE:      INITIALS:

**ANALYSIS**  
**MARKET DATA APPROACH**  
**Land Only**

**COMPARISON WITH SUBJECT PROPERTY**

SALE					
Date of Sale					
Size					
Sales Price					
Unit Price					

**ADJUSTMENT FACTORS**

Conditions of Sale					
Improvement(s)					
<b>ADJUSTED SALES PRICE</b>					
Time					
Topography					
<b>INDICATED UNIT VALUE</b>					

**EXPLANATION OF ADJUSTMENTS:**

**Time:**

**Topography:**

**CORRELATION OF INDICATED VALUES:**

**ESTIMATED LAND VALUE:**

Whole:	0.00	± acres	at	\$0.00	per acre =	\$0.00	(rounded)
Remainder:	0.00	± acres	at	\$0.00	per acre =	\$0.00	(rounded)
Area of Acquisition:	0.00	± acres	at	\$0.00	per acre =	\$0.00	(rounded)
Permanent Easement(s):	0.00	± acres	at	\$0.00	per acre =	\$0.00	(rounded)
Temporary Easement(s):	0.00	± acres	at	\$0.00	per acre =	\$0.00	(rounded)

**ANALYSIS**  
**MARKET DATA APPROACH**  
**Improved**

**COMPARISON WITH SUBJECT PROPERTY**  
**(Whole Property) (Remainder Property)**

Item	Subject Property			Comparable No. 19			Comparable No. 4			Comparable No. 6					
Address															
Proximity															
Sales Price															
Date of Sale															
Data Source															
	Description			Description		Adj	Description		Adj						
Sale Conditions															
Location															
Site/View															
Curb Appeal															
Quality															
Age															
Condition															
Living Area	Tot	Br	Ba	Tot	Br	Ba		Tot	Br	Ba		Tot	Br	Ba	
Count															
Gross Area															
Basement															
A/C															
Garage/ Carport															
Patio/Porch															
Floor cover															
Outbldgs.															
Landscaping															
Other Impvts															
NET ADJ															
INDIC. VALUE						\$000,000			\$000,000.					\$000,000	

**ANALYSIS**

**EXPLANATION OF ADJUSTMENTS:**

**CORRELATION OF INDICATED VALUES:**

**ESTIMATED VALUE MARKET DATA APPROACH:**

<b>Estimated Improvement Value</b>	
<b>Estimated Value of Land</b>	
<b>Estimated Value by Market Approach</b>	

**ANALYSIS**  
**COST APPROACH**  
**(Whole Property) (Remainder Property)**

Description	Const. Type	Cond.	Size	RCN per Unit	Total RCN	Total Depr.	RCN Less Depr.
SFD							
Garage							
Apartment							

**Justification and source of Cost factor used above. - [Marshall and Swift](#)**

**Accrued depreciation (physical, functional, economic):**

**ESTIMATED VALUE Cost Approach:**

Total RCN Less Depreciation	
Estimated Value of Land	
Estimated Value by Cost Approach	

**ANALYSIS**  
**APPRAISER'S CHECK LIST**  
**RESIDENTIAL PROPERTY (In Acquisition)**

<b>Type of Building:</b>	
<b>Units:</b>	
<b>Rooms:</b>	
<b>Bedrooms:</b>	
<b>Baths:</b>	
<b>Closets:</b>	
<b>Water Heaters:</b>	
<b>Gallons:</b>	

**EXTERIOR CONSTRUCTION**

<b>Foundation:</b>	
<b>Siding:</b>	
<b>Roof:</b>	
<b>Porches:</b>	
<b>Car Storage:</b>	
<b>Windows:</b>	
<b>Condition:</b>	

**INTERIOR CONSTRUCTION**

<b>Heating:</b>	
<b>Trim:</b>	
<b>Cooling:</b>	
<b>Insulation:</b>	
<b>Cabinets:</b>	
<b>Doors:</b>	
<b>Plumbing Fixtures:</b>	
<b>Electrical Fixtures:</b>	
<b>Built-In Appliances:</b>	

<b>Rooms</b>					
<b>Walls</b>					
<b>Ceiling</b>					
<b>Floors</b>					
<b>Closets</b>					

<b>Condition:</b>	
<b>Outbuildings:</b>	
<b>Walks:</b>	
<b>Drives:</b>	
<b>Fencing:</b>	
<b>Landscaping:</b>	
<b>Miscellaneous:</b>	

**SUMMATION AND CONCLUSIONS****CORRELATION OF APPROACHES****Estimated Value of Whole Tract Before Taking:****Cost Approach.....\$****Income Approach..... NOT USED****Market Data Approach .....\$****EXPLANATION:**

The analysis detailed in the preceding sections developed the market value of the subject property using all the information, extraordinary assumptions, hypotheses, limiting conditions, descriptions, and disclosures stated in the above report. The estimate of value for the subject property of this report is based upon an examination of appropriate information, general and specific contained within the approaches employed by this report. The final value, as determined by this appraiser, is a comparison and analysis of approaches used and reflects the appraiser's opinion of the most accurate market value of the whole property. After careful consideration of all the factors pertaining to the influencing of value, the data analysis firmly supports the below conclusion of estimated market value for the subject property.

**Conclusion of Estimated Market Value..... \$000,000.00**

**SUMMATION AND CONCLUSIONS  
SALVAGE VALUE OF IMPROVEMENTS ACQUIRED**

Salvage Value is defined as:

The estimated value that an asset will realize upon its sale at the end of its useful life and for which refurbishing or repair is neither desired, possible, nor economically feasible.

As a result of the actions of the Department the acquired improvements have reached the end of their useful life.

**DESCRIPTION**

**SALVAGE VALUE**

**Justification of Salvage:**

If the cost to renovate, rehabilitate, remodel, or move any improvements exceed any expected benefit gained then an estimated salvage value would most likely be zero (\$0). The Arkansas Department of Transportation requires the right of way to be cleared of any salvaged component within a timely manner, prior to the beginning of construction. This necessity limits potential marketing time. This therefore, reduces the potential to salvage any component that might be otherwise salvageable. Moving costs and the reasonable presumption of damage associated with the moving is further exacerbated by this shortened time frame, where the proper care might be overlooked in haste. For all of these considerations, it is the opinion of the appraiser that the improvements located in the acquisition area have little salvage value.

Due to the necessity and method of removing the affected improvements, the salvage value is considered to be \$1,000 for the single family dwelling, \$500 for the detached garage, and \$0.00 for the additional acquired improvements.

The cost to salvage the acquired improvements would far exceed any expected benefit gained and so the appraiser assigns no salvage value to the improvements.



**SUMMATION AND CONCLUSIONS****ADDENDUM**

Realty/Personal Property Report

Area Data

Appraisal Sketch

Right of Way Plan Sheet(s)

Floor Plan(s)

Construction Plan (Preliminary)

Whole Property Plan Sheet(s)

Comparable Sales Map

Comparable Sales Information

[Other Miscellaneous Information As Needed](#)

Assessor's Record Information

Copy of Letter of Introduction (sent by Administrative Assistant)

Copy of Signed Final Letter to Attempt Contact (*if sent*)

Appraiser Qualifications Summary ([Optional](#))

Title Certificate

Legal Description(s)

## APPRAISAL REPORT ARKANSAS STATE HIGHWAY AND TRANSPORTATION

Fee Owner(S):  
Address:  
Phone:  
Tenant(S):  
Address:  
Phone:

Ownership & Areas  
should be per ROW  
map until formal  
changes are received.

Area of Whole: Area	5.15±acres	Permanent Easement(s):	
of Remainder: Area	4.70±acres	Temporary Easement(s):	XE1- 0.01±acres
Of Acquisition:	0.45±acres		

(Title Certificate and Legal Description Attached)

### ESTIMATED FAIR MARKET VALUE OF THE PROPERTY

Land:	\$	101,200.00	
Improvements:	\$	123,800.00	
Total:		\$	225,000.00

<b>After</b>		\$	94,000.00
Land:		\$	125.00
Improvements: (less cost to cure)		\$	94,125.00
Total:		\$	130,875.00

FAIR MARKET VALUE OF ACQUISITION:

Temporary Easements:		\$	50.00
<b>Total Compensation as of:</b>	<b>December 17, 2014</b>	\$	<b>130,925.00</b>

### ALLOCATION OF COMPENSATION

Land: 0.36±acres @ \$20,000/acre	\$	7,200.00	
0.09±acres @ \$0.00/acre (in public roadway) Permanent		-	
Easements:	\$		
Temporary Easements: 0.01±acres @ rental value	\$	50.00	
Improvements: Dwelling, Well House, Water Well, Trees	\$	120,675.00	
Damages: Carport, Barn, Utility Bldg., Frame Storage	\$	2,500.00	
Cost to Cure Items: Move Sign	\$	500.00	
<b>Total Compensation:</b>	\$	<b>130,925.00</b>	

**Breakdown of Compensation:**

Fee Owner = \$130,425.00
Sign Owner = \$500.00 (see comments pg. 9)

\_\_\_\_\_, Appraiser

QC: \_\_\_\_\_

This breakdown  
informs Acquisition  
of proper payees &  
amounts

\_\_\_\_\_, Date

These figures  
allocate the  
Total  
Compensation  
concluded  
above

As of Date represents map change dated

Job: \_\_\_\_\_

Tract: \_\_\_\_\_

# RESIDENTIAL MARKET DATA ANALYSIS (Whole Property)

# SAMPLE

Item	Subject Property			Comparable No. 7			Comparable No. 8			Comparable No. 35		
Address	102 S. Old Wire Rd			611 N. Old Wire Rd			15469 E. Hwy 264			803 E. Apple Blossom Rd.		
Proximity				Approx. ½ mile north			Approx. 4 miles southeast			Approx. 1 mile south		
Sales Price				\$143,500.00			\$184,000.00			\$140,000.00		
Date of Sale				9/2012			5/2012			9/2011		
Data Source				Grantee			Grantee			Grantee		
	Description			Description			Adj	Description			Adj	
Sale Conditions				Time adjustment				Time adjustment				
Location												
Site/View	5.15±ac. (0.09±ac in road) \$101,200			1.22±ac. \$20,000			+\$81,200	1.2±ac. \$44,000			+\$57,200	1.21±ac. \$36,300
Curb Appeal												
Quality	Avg./Frame			Avg./Masonry			-\$8,625	Avg./Masonry			-\$8,800	Avg./Masonry
Age	25± years EA			20± years EA				20± years				20±years EA
Condition	Average			Average				Average				Average
Living Area	Tot	Br	Ba	Tot	Br	Ba		Tot	Br	Ba		Tot
Count	8	4	2 ½		3	2	+\$750	7	3	2	+\$750	
Gross Area	2,184±sf			1,725±sf			+\$18,360	1,758±sf			+\$17,040	1,780±sf
Basement												
A/C	Central			Central				Central				Central
Garage/ Carport	FFA 16x24			Similar				Similar				Similar
	Carport 10x18			Similar				None			+\$125	Similar
Patio/Porch	Open porch 6x20 SEP 140sf			Similar				Similar				Similar
Floor cover	Carpet/Tile			Similar				Similar				Similar
Outbuildings	Barn 28x34			Similar				Inferior			+\$1,500	Non
	Well house 10x10							None			+\$500	e
	Utility bld. 590±sf							None			+\$1,000	Non
	Frame storage 10x10							None			+500	e
Landscaping	Avg.			Inferior			+\$500	Inferior			+\$500	Similar
Other Improvements	Potable water well			Similar				N/A			+\$5,000	N/A
NET ADJUSTMENT							+\$92,185				+\$75,315	
INDICATED VALUE				\$235,685.00				\$259,315.00				\$221,410.00

Job:

Tract:

**CORRELATION OF INDICATED VALUES:**

The range of indicated value, of the comparables above, is from \$221,410.00 to \$259,315.00. Each of the sales is somewhat similar in size to the subject improvement, and after adjustment, is considered to offer a reliable range of value for the subject property. Sale 8 is furthest from the subject, and overlooks Beaver Lake. For these reasons, it is given least weight of the three comparables. Therefore, with all these things considered it is the opinion of this appraiser that the market value of the subject property is: \$225,000.00

**ESTIMATED VALUE MARKET DATA**

<b>Whole Property Land:</b>		= \$101,200.00
<b>Whole Property Improvements:</b>	Dwelling	= \$114,675.00
	Carport	= \$125.00
	Barn	= \$1,500.00
	Well House	= \$500.00
	Utility Building	= \$1,000.00
	Frame Storage	= \$500.00
	Landscaping	= \$500.00
	Water Well	= \$5,000.00
<b>Whole Property Value Market Approach:</b>		<b>= \$225,000.00</b>

**REMAINDER PROPERTY**

The remainder property, in addition to land, will consist of the metal carport, general purpose barn, the utility building, and frame storage building

Because of the location in the remainder, the proximity to the proposed right of way, and the loss of the primary residence on the whole property, the improvements in the remainder are considered to be negatively affected by the acquisition. For these reasons, damages have been applied to the improvements in the remainder. It is estimated that the improvements would only retain 20% of their original contributory value. The remainder value after the taking is as follows:

<b>Estimated Remainder Land = 4.70±acres @ \$20,000/acre</b>	<b>= \$94,000.00</b>
<b>Estimated Remainder Value (Carport) \$125 x 20%</b>	<b>= \$25.00</b>
<b>Estimated Remainder Value (Barn) \$1,500 x 20%</b>	<b>= \$300.00</b>
<b>Estimated Remainder Value (Utility Bldg.) \$1,000 x 20%</b>	<b>= \$200.00</b>
<b>Estimated Remainder Value (Frame Storage) \$500 x 20%</b>	<b>= \$100.00</b>
<b>Cost to Cure Item (Move Sign)</b>	<b>= <u>(\$500.00)</u></b>
<b>Estimated Remainder Value (Total)</b>	<b>= \$94,125.00</b>
 <b>Damages to Carport \$125 x 80%</b>	 <b>= \$100.00</b>
<b>Damages to Barn \$1,500 x 80%</b>	<b>= \$1,200.00</b>
<b>Damages to Utility Bldg. \$1,000 x 80%</b>	<b>= \$800.00</b>
<b>Damages to Frame Storage \$500 x 80%</b>	<b>= \$400.00</b>
<b>Total Damages</b>	<b>= \$2,500.00</b>

Job:

Tract:

**APPRAISER'S CHECK LIST  
RESIDENTIAL PROPERTY (In Acquisition)**

Type of Building:	Single Family Dwelling
Units:	1
Rooms:	8
Bedrooms	4
Baths	2.5
Closets:	5
Water Heaters:	2
Gallons:	40

**EXTERIOR CONSTRUCTION**

Foundation	Closed Pier/Wood subfloor
Siding:	Frame
Roof:	Shingle
Porches:	Open 6x20, SEP 140sf.
Car Storage:	Frame finished attached 16x24
Windows:	Standard
Condition:	Average

**INTERIOR CONSTRUCTION**

Heating:	Central/ Wood Stove
Trim:	Standard
Cooling:	Central
Insulation	Wall/Ceiling
Cabinets:	Standard
Doors:	Standard
Plumbing Fixtures:	Standard
Electrical Fixtures:	Standard
Built-In Appliances:	Dishwasher

	Kitchen	Living Room	Four Bedrooms	2 ½ Bathrooms	
<b>Walls</b>	Drywall	Drywall	Drywall/Paneling	Drywall	
<b>Ceiling</b>	Drywall	Drywall	Drywall/Acoustic	Drywall	
<b>Floors</b>	Tile	Carpet/Tile	Carpet	Tile	
<b>Closets</b>		N/A	4	2	

Condition:	Average
Outbuildings:	Frame storage, Frame Utility, General purpose barn, well house, metal carport
Walks:	Concrete
Drives:	Asphalt
Fencing	Barbed wire, web wire, chain link
Landscaping:	Average
Miscellaneous:	

Job:

Tract:

## Realty / Personalty

### Real Estate:

Dwelling Structure  
Attached lighting fixtures and ceiling fans  
Plumbing fixtures  
Water heater  
Built in cabinets  
Outbuildings  
Fencing  
Septic System  
Water well  
Built in appliances

### Personalty:

Clothing and Personal Items  
Pictures, Lamps, Decorations not permanently affixed  
Drapes/Blinds  
Refrigerator  
Microwave  
Stove  
Washer/Dryer  
Wood Stove

**SALVAGE VALUE OF IMPROVEMENTS**

<b>DESCRIPTION</b>	<b>SALVAGE VALUE</b>
Single Family Dwelling	\$1,000
Well house	-0-

**Justification of Salvage:**

Due to the necessity and method of removing the affected improvements, the salvage value is considered to be \$1,000 for the single family dwelling, and \$0.00 for the well house. Moving costs and a reasonable expectation of damage are associated with a move of this nature. In light of these considerations, these salvage values were considered suitable by the appraiser

## SHORT FORM APPRAISAL

Tract:



**CERTIFICATE OF APPRAISER**

I hereby certify:

That I have personally inspected the property herein appraised, that I have made a personal field inspection of the comparable sales relied upon in making said appraisal. The subject and the comparable sales relied upon in making said appraisal were as represented by the photographs contained in said appraisal.

That to the best of my knowledge and belief the statements contained in the appraisal herein set forth are true, and the information upon which the opinions expressed therein are based is correct; subject to the limiting conditions therein set forth.

That the existence of potentially hazardous material used in the construction or maintenance of any structures, and/or the existence of hazardous materials or hazardous waste, which may or may not be present on the property, was not observed by me; nor do I have any knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The existence of hazardous materials or potentially hazardous waste material may have an effect on the value of the property.

That I understand that such appraisal may be used in connection with the acquisition of right-of-way for a project to be constructed by the State of Arkansas with the assistance of Federal-aid highway funds, or other Federal funds.

That such appraisal has been made in conformity with the appropriate State laws, regulations and policies and procedures applicable to appraisal of right-of-way for such purposes; that in appraising the value before acquisition, no consideration has been given to increases or decreases in Fair Market Value caused by the public improvement; and that to the best of my knowledge no portion of the value assigned to such property consists of items which are noncompensable under the established law of said State.

That neither my employment nor my compensation for making this appraisal and report are in any way contingent upon the values reported herein.

That I have no direct or indirect present or contemplated future personal interest in such property or in any benefit from the acquisition of such property appraised.

That I have not revealed the findings and results of such appraisal to anyone other than the proper officials of the State Highway and Transportation Department of said State or officials of the Federal Highway Administration, and I will not do so until so authorized by said State Officials, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

That in my opinion the just compensation for the acquisition as of \_\_\_\_\_ is \$ \_\_\_\_\_ based upon my independent appraisal and the exercise of my professional judgment.

On \_\_\_\_\_ the owner(s) were offered the opportunity to accompany the \_\_\_\_\_ appraiser on the property inspection, which was held on \_\_\_\_\_.

On \_\_\_\_\_ the owner(s) were offered the opportunity to accompany the \_\_\_\_\_ appraiser on the property inspection. The invitation was declined.

Date: \_\_\_\_\_

\_\_\_\_\_  
Appraiser

Job:

Tract:

**Property Location:**

**Zoning:**

**Present Use:**

**Highest & Best Use:**

**Size:**

**Frontage:**

**Depth:**

**Shape:**

**Access:**

**Topography:**

**Drainage:**

**Soil Type:**

**Utilities:**

**Physical Features:**

**Improvements:**

**Remarks:**

**FIVE YEAR SALES HISTORY:**

From	To	Date	Book	Page
Consideration				

**CHANGES IN PROPERTY SINCE DATE OF PURCHASE:**

**REFERENCES:**

See plat for location and dimensions of acquisition and improvements involved. See sales brochure for area data, scope of market study, time study, marketing conditions, and sales location map.

**PREMISE AND LIMITING CONDITIONS:**

1. The sketch map, construction plans and descriptions furnished the appraiser are correct.
2. The attached Title Certificate is correct, reflects the fee owner and all holders of less than fee interest in the property and current real estate tax information.
3. Information, dates, estimates, and opinions contained in this report were obtained from sources considered reliable; however, no liability for them can be assumed by the appraiser.

**MARKET DATA APPROACH****COMPARISON WITH SUBJECT PROPERTY**

SALE				
Date of Sale				
Size				
Sales Price				
Unit Price				

**ADJUSTMENT FACTORS**

Conditions of Sale				
Improvement(s)				
<b>ADJUSTED SALES PRICE</b>				
Time				
Location				
Size				
Topography				
Utilities				
<b>INDICATED UNIT VALUE</b>				

**EXPLANATION OF ADJUSTMENTS:****CORRELATION OF INDICATED VALUES:****ESTIMATED LAND VALUE:**

Job:

Tract:

**ARKANSAS DEPARTMENT OF TRANSPORTATION  
COMPENSATION ESTIMATE**

**COMPENSATION  
ESTIMATE**

**Arkansas Job Number:**  
**Location:**

**County:**

**Tract:**

**Fee Owner:**  
**Address:**  
**Telephone:**

Area Of The Whole:  
Area Of Remainder:  
Area Of Acquisition:

Permanent Easement(s):  
Temporary Easement(s):

**ACQUISITION COMPENSATION:**

Fee Title:	\$
Temporary Easement(S):	\$
Permanent Easement(S):	\$
Improvements Acquired:	\$
	Subtotal: \$
Cost To Cure Items:	\$
SIGNS:	\$

**Estimate of Total Compensation    \$**

\_\_\_\_\_  
PREPARED BY

\_\_\_\_\_  
ADMINISTRATIVE APPROVAL

Date: \_\_\_\_\_

Date: \_\_\_\_\_

QC: \_\_\_\_\_

**COMMENTS:**

**APPRAISAL REPORT**  
**ARKANSAS DEPARTMENT OF TRANSPORTATION**

**COURT**  
**APPRAISAL**

Arkansas Job Number:  
Location:

County:

Tract:

Fee Owner(S):  
Address:  
Phone:

Area Of Whole: Area  
Of Remainder: Area  
Of Acquisition:

Permanent Easement(S):  
Temporary Easement(S):

**ESTIMATED FAIR MARKET VALUE OF THE PROPERTY**

**Before**

Land	\$
Improvements	\$
Total	\$

**After**

Land	\$
Improvements	\$
Total	\$

FAIR MARKET VALUE OF ACQUISITION	\$
----------------------------------	----

Temporary Construction Easement(s)	\$
------------------------------------	----

TOTAL COMPENSATION AS OF	\$
--------------------------	----

Date:

\_\_\_\_\_  
Appraiser:

\_\_\_\_\_  
Witness to Signature

APPROVED FOR COURT PURPOSES: \_\_\_\_\_

DATE: \_\_\_\_\_

QC:\_\_\_\_\_

Job:

Tract:

**CERTIFICATE OF APPRAISER**

**SAMPLE**

I hereby certify:

That I have personally inspected the property herein appraised, that I have made a personal field inspection of the comparable sales relied upon in making said appraisal.

That to the best of my knowledge and belief the statements contained in the appraisal herein set forth are true, and the information upon which the opinions expressed therein are based is correct; subject to the limiting conditions therein set forth.

That the existence of potentially hazardous material used in the construction or maintenance of any structures, and/or the existence of hazardous materials or hazardous waste, which may or may not be present on the property, was not observed by me; nor do I have any knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The existence of hazardous materials or potentially hazardous waste material may have an effect on the value of the property.

That I understand that such appraisal may be used in connection with the acquisition of right-of-way for a project to be constructed by the State of Arkansas with the assistance of Federal-aid highway funds, or other Federal funds.

That such appraisal has been made in conformity with the appropriate State laws, regulations and policies and procedures applicable to appraisal of right-of-way for such purposes; that in appraising the value before acquisition, no consideration has been given to increases or decreases in Fair Market Value caused by the public improvement; and that to the best of my knowledge no portion of the value assigned to such property consists of items which are non-compensable under the established law of said State.

That neither my employment nor my compensation for making this appraisal and report are in any way contingent upon the values reported herein.

That I have no direct or indirect present or contemplated future personal interest in such property or in any benefit from the acquisition of such property appraised.

That I have not revealed the findings and results of such appraisal to anyone other than the proper officials of the Department of Transportation of said State or officials of the Federal Highway Administration, and I will not do so until so authorized by said State Officials, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

That in my opinion the just compensation for the acquisition as of \_\_\_\_\_ is \$ \_\_\_\_\_ based upon my independent appraisal and the exercise of my professional judgment.

Inspection Date(s): \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Appraiser:

\_\_\_\_\_  
Witness to Signature

APPROVED FOR COURT PURPOSES: \_\_\_\_\_

DATE: \_\_\_\_\_

Job:

Tract:

**MARKET VALUE CONCEPT**

Market value may be defined as follows: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

**PURPOSE OF APPRAISAL**

The purpose of this appraisal is to estimate the Fair Market Value of the within described property including all damages and/or benefits, if any, to the extent that benefits are allowed under State Law, to the remaining property as just compensation for the property taken.

**PREMISE AND LIMITING CONDITIONS**

1. The sketch map, construction plans, and/or tract descriptions furnished the Appraisal Section by the Engineering Section are correct.
2. The attached title certificate is correct and reflects the fee owner and all holders of less than fee interests in the property, and reflects current real estate tax information.
3. Information, dates, estimates and opinions contained in this report were obtained from sources considered reliable, however, no liability for them can be assumed or guaranteed by this appraiser.

Highest and Best Use is defined as:

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

The definition above applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land in its highest and best use exceeds the total value of the property in its existing use.

Implied within these definitions is recognition of the contribution of that specific use, to community environment or community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e. that the use determined from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In context of most probable selling price (market value) another appropriate term to reflect highest and best use would be most probable use. In the context of investment value an alternative term would be most profitable use. (1)

Four tests are used to establish highest and best use of a site. To qualify as the highest and best use all four tests must be satisfied. That is, the use must be:

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

(1) The American Institute of Real Estate Appraisers, The Appraisal of Real Estate, 13th Edition 2008, page 277/278.



## PROPERTY DESCRIPTION

### Whole Property

Location:  
Zoning:  
Highest & Best Use:  
Present Use:  
Size: Frontage:  
Depth: Access:  
Topography:  
Utilities:  
Improvements:  
Remarks:

### Acquisition

Location: Size:  
Improvements:  
Remarks:

### Remainder Property

Highest & Best Use:  
Size:  
Frontage:  
Depth: Access:  
Topography:  
Utilities:  
Improvements:  
Remarks:

**APPRAISAL REPORT  
FOR  
ARKANSAS DEPARTMENT OF TRANSPORTATION**

**COURT  
MORTGAGE  
APPRAISAL**

Arkansas Job  
Number:

County:

Tract:

LOCATION:

Fee Owner(s)

Address:

Phone:

Tenant:

---

AREA OF WHOLE TRACT:

AREA OF REMAINDER:

AREA OF ACQUISITION TRACT:

---

I, Appraiser Name, certify that I have made a physical inspection of the above mentioned property at the request of the Arkansas Department of Transportation for the purpose of estimating the fee value of the acquisition tract including any damages and/or benefits to the remainder if any, and agree to testify in court as set out below:

VALUE OF THE WHOLE: \$

VALUE OF THE REMAINDER: \$

VALUE OF THE ACQUISITION: \$

VALUE OF TCE: \$

**TOTAL COMPENSATION: \$**

As of: Date

---

NAME, Appraiser

---

Date

ADDRESS: P.O. Box 2261  
Little Rock, AR 72203

---

Witness to Signature

---

APPROVED FOR COURT PURPOSES

DATE: \_\_\_\_\_

QC: \_\_\_\_\_

JOB: 00000  
TRACT: 000

**CERTIFICATE OF APPRAISER**

I hereby certify:

That I have personally inspected the property herein appraised, that I have made a personal field inspection of the comparable sales relied upon in making said appraisal.

That to the best of my knowledge and belief the statements contained in the appraisal herein set forth are true, and the information upon which the opinions expressed therein are based is correct; subject to the limiting conditions therein set forth.

That the existence of potentially hazardous material used in the construction or maintenance of any structures, and/or the existence of hazardous materials or hazardous waste, which may or may not be present on the property, was not observed by me; nor do I have any knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The existence of hazardous materials or potentially hazardous waste material may have an effect on the value of the property.

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That such appraisal has been made in conformity with the appropriate State laws, regulations and policies and procedures applicable to appraisal of right-of-way for such purposes; that in appraising the value before acquisition, no consideration has been given to increases or decreases in Fair Market Value caused by the public improvement; and that to the best of my knowledge no portion of the value assigned to such property consists of items which are non-compensable under the established law of said State.

That neither my employment nor my compensation for making this appraisal and report are in any way contingent upon the values reported herein.

That I have no direct or indirect present or contemplated future personal interest in such property or in any benefit from the acquisition of such property appraised.

That I have not revealed the findings and results of such appraisal to anyone other than the proper officials of the Arkansas Department of Transportation of said State or officials of the Federal Highway Administration, and I will not do so until so authorized by said State Officials, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

That in my opinion the just compensation for the acquisition as of **January 31, 2001** is **\$ 0,000.00** based upon my independent appraisal and the exercise of my professional judgment.

DATE:           date

---

name, Appraiser

JOB: 000000  
TRACT: 0000

# COMPARABLE SALES

## COMPARABLE SALE SHEET

GRANTOR:	
GRANTEE:	
DATE:	
CONSIDERATION:	
RECORDED	
VERIFICATION:	
MOTIVATION:	
USE (DATE OF SALE):	
USE NOW:	
FRONTAGE:	
SHAPE:	
SOIL TYPE:	
ACCESS:	
SIZE:	
PER UNIT:	
REV. STAMPS:	
FINANCING:	
ZONING:	
H & B USE:	
DEPTH:	
DRAINAGE	
UTILITIES:	
LEGAL DESC:	

SALE LOCATION:	
----------------	--

TOPOGRAPHY:	
-------------	--

REMARKS:	
----------	--

### IMPROVEMENT DATA

BUILDING TYPE:					
SIZE:					
TOTAL ROOM COUNT:		Bedroom:		Bathrooms:	
APPROXIMATE AGE:					

<b>EXT. CONSTRUCTION:</b>		<b>INT. CONSTRUCTION:</b>	
FOUNDATION:		HEATING:	
ROOF:		INSULATION:	
GARAGE:		PLUMBING FIX:	
OTHER:		WALLS:	
SIDING		FLOORS:	
PORCHES		COOLING	
LANDSCAPING:		TRIM:	
CONDITION:		ELEC. FIX:	
		CEILING:	
		CONDITION:	

See Photo in Sales Brochure

JOB:	
COUNTY:	
SALE:	

APPRAISER'S CHECK LIST  
RESIDENTIAL PROPERTY

**APPRAISER'S  
CHECKLIST**

Type of Building:  
Units:  
Rooms:  
Bedrooms:  
Baths:  
Closets:  
Water Heaters:  
Gallons:

EXTERIOR CONSTRUCTION

Foundation:  
Siding:  
Roof:  
Porches:  
Garage or Carport:  
Windows:  
Condition:

INTERIOR CONSTRUCTION

Heating:  
Trim:  
Cooling:  
Insulation:  
Cabinets:  
Doors:  
Plumbing Fixtures:  
Electrical Fixtures:  
Built-In

ROOMS

WALLS								
CEILING								
FLOORS								
CLOSETS								

Condition:  
Outbuildings:  
Walks:  
Drives:  
Fencing:  
Landscaping:  
Miscellaneous:

## Useful Links

[Arkansas Billboard Valuation Guide](#)

[Arkansas Department of Environmental  
Quality Searchable Databases](#)

[Arkansas Sanitary Septic Regulations](#)

[Arkansas Secretary of State](#)

[Arkansas Department of Health Onsite  
Wastewater Regulations/Resources](#)

[Arkansas Eminent Domain Law](#)

[Arkansas Sanitarian Designated  
Representatives](#)

[ARCountyData.com](#)

[ARDOT Average Daily Traffic Map](#)

[ARDOT Environmental Assessment  
Documents](#)

[ARDOT Outdoor Advertising Regulations](#)

[ARDOT Right-of-Way Operations Manual](#)

[ARDOT Rules for Access Driveways  
to State Highways 2017](#)

[ARDOT Standard Specifications  
for Highway Construction](#)

[AR GIS Office - Division of Land Surveys  
Plat Search](#)

[DataScoutPro](#)

[FEMA Flood Mapping](#)

[RealtyRates.com](#)

[Title 49 CFR, Subtitle A, Part 24  
Uniform Act](#)

[UofA Cooperative Extension Service  
Timber Price Reports for Arkansas](#)

[USGS The National Map \(Topographical  
Map\)](#)

[U.S. Dept. of the Treasury – Interest Rate  
Statistics](#)

[USDA National Agricultural Statistics  
Service – Crop Prices, Land Values, etc.](#)

[USDA Natural Resource Conservation  
Service – Web Soil Survey](#)

[2020-21 Uniform Standards of Professional  
Appraisal Practice \(USPAP\)](#)

[Uniform Appraisal Standards for Federal  
Land Acquisitions \(UASFLA\) – Yellow Book](#)

## [Index of Key Words](#)

**Access**, 39, 73, 80, 92, B

**Adverse possession**, 39, 80

Advertising Sign Sites, 40

Allocation of Just Compensation, 40, 62

**Appraisal**, I, 1, 2, 3, 7, 11, 12, 15, 20, 24, 26, 27, 28, 35, 36, 37, 39, 41, 50, 51, 54, 57, 60, 61, 63, 79, 80, 81, 93, 94, 95, B

**Before and after appraisal**, 15, 82

**Benefits**, 42, 82

Billboard, 27, B

**Capitalization**, 19, 83

**Comparable**, 19, 43, 69, 72, 76, 79, 83, 95

**Compensable damages**, 83

Confidentiality, 41

Conflicts of Interest, VI, 65

**Contributory Value**, 37, 83

**Cost approach**, 22, 84

**Cost to cure**, 84

Court Mortgage Appraisals, 33

Court Report, 31, 32, 33

**Damages**, 42, 46, 53, 83, 84

**Date of the report**, 84

**Depreciation**, 84

**Easement**, 17, 85

**Economic life**, 85

**Effective age**, 85

**Effective date**, 70, 85

**Eminent domain**, 5, 11, 85

Encroaching, 27

**Fair market value**, 68, 85

**Functional obsolescence**, 86

**Hazardous materials**, 86

**Highest and best use**, 17, 22, 25, 86

**Income capitalization approach**, 87

inspection, 6, 11, 15, 20, 27, 28, 30, 35, 44, 45, 50, 68, 74

Inspection of Subject Property, 50

intended use, 6, 50, 76, 77, 83, 92

**Just compensation**, 37, 87

**Larger parcel**, 87

**Leasehold interest**, 88

Long Form, 12, 15, 95

Map Change, 56

**Market value**, 16, 88

non-compensable., 53

Parent Tract, 55

**Permanent easement**, 90

plan change, 57

**Real property**, 91

**Replacement cost**, 91

**Right of access**, 92

**Right of way**, 92

Rounding, 57

**Sales comparison approach**, 22, 92

**Salvage value**, 38, 92

Sandbagging, 59

**Scope of work**, 92

Signs, 27, 40

**Site improvements**, 92

Surplus Property Appraisals, 33

**Temporary easement**, 93

Tenant-Owned Improvements, 30

**Uneconomic remnant**, 94

**Uniform Standards of Professional Appraisal Practice**, 1, 2, 94, B

**Unit rule**, 94

Waiver, 26