



GUIDELINES FOR REVIEW APPRAISERS

STATE OF TENNESSEE
DEPARTMENT OF TRANSPORTATION
Right-Of-Way Division

Guidelines For Review Appraisers

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Purpose

The appraisal report provides the basis for establishing an offer of just compensation. The appraisal review process is a quality control step intended to promote and maintain the integrity of the appraisal process. The priority purpose of the appraisal review process is:

- To ensure that all appraisal products are written in compliance with The Uniform Standards of Professional Appraisal Practice (USPAP), The Uniform Act and TDOT Guidelines for Appraisers.
- To determine if the appraisal report submitted for review represents a credible effort that provides sound and reasonable advice upon which to base a Fair Market Value “good faith” offer.

The review appraiser has several subordinate responsibilities such as:

- To afford confidence in an approved appraisal report
- To determine uneconomic remnants
- To ensure proper segregation of tenant-owned improvements from fee-owned improvements
- To include appropriate utility adjustments as part of the approved offer, the Form 2
- To provide a quality assessment of the work product of appraisers
- To promote increased levels of professionalism among appraisers
- To facilitate a professional relationship between TDOT and appraisers

Overview of Appraisal Review Process

Appraisal Review

The Uniform Standards of Professional Appraisal Practice defines an Appraisal Review as:

- (noun) The act or process of developing an opinion about the quality of another appraiser’s work that has been performed as part of an appraisal or appraisal review assignment.
- (adjective) Of or pertaining to an opinion about the quality of another appraiser’s work that was performed as part of an appraisal or appraisal review assignment.

The appraisal review process must be completed by a qualified review appraiser. The qualified review appraiser is acting as a professional appraiser when they complete an appraisal review and are required to adhere to the standards established by USPAP, The Uniform Act and TDOT Guidelines for Appraisers. The review appraiser shall examine the presentation and analysis of market information in all appraisals, as directed by 49 CFR 24.104 of the Uniform Act, to assure that they meet the definition of appraisal found in 49 CFR 24.2(a)(3); appraisal requirements found in 49 CFR 24.103; state requirements; and, other applicable requirements, including to the extent appropriate.

The appraisal reports under review must also support the appraiser's opinion of value. The level of review analysis depends on the complexity of the appraisal problem. As needed, the review appraiser shall, prior to completion of the review process, seek any necessary corrections or revisions. Upon completion of the review process the review appraiser shall complete an appraisal review report, wherein they will identify each appraisal report as:

- I Do Recommend Approval Of This Report - meets all appraisal requirements, and should be used as the basis for establishing the amount believed to be just compensation
- I Do Not Recommend Approval Of This Report – does not meet one or more appraisal

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requirements, and should not be used as the basis for establishing the amount believed to be just compensation

The review appraiser's approval of the appraisal report under review is a recognition that the report meets all the appraisal requirements, including:

- The factual data contained in the report is accurate and adequate to support the appraisal process.
- The approaches to value utilized are appropriately explained and employed.
- The appraisal methods utilized were employed properly and were appropriate to the appraisal problem identified in the report.
- The valuation analysis contained within the report is consistent with the subject property and the appraisal problem.
- The appraiser's findings of value are supported within the appraisal report.

Unless the review appraiser has completed their own appraisal analysis of the property addressed by the appraisal report under review, he or she will not render an opinion regarding the value conclusions contained in the report. The review appraiser will not indicate whether the value findings contained within the appraisal report are: right; wrong; too high, or too low. The review appraiser will only render an opinion as to whether the appraisal report supports the conclusions.

Functions of Review Appraisers

The term review appraiser is used rather than reviewing appraiser, to emphasize that review appraiser is a separate specialty and not just an appraiser who happens to be reviewing an appraisal. Federal and state agencies (TDOT) have long held the perspective that appraisal review is a unique skill that, while it certainly builds on appraisal skills, requires more. The review appraiser should possess both appraisal technical abilities and the ability to be the bridge between the appraiser and the TDOT's real property valuation needs. Review appraisers must also be capable of acting as technical advisers to multiple functional areas of TDOT when issues associated with real estate arise. As technical advisers, TDOT review appraisers typically perform a role greater than just the completion of technical reviews. The scope of work requirements for staff review appraisers requires them to be involved in early project development and to assist in identifying potential real estate issues as early as possible. Later, review appraisers participate in developing appropriate appraisal assignments for the property involved. They are also technical advisers on department policy and requirements for appraisers, other agency colleagues and the public.

Delegated Authority for Approved Offers

Nominal Payment Parcels (NPPs), where the valuation is noncomplex and the approved offer must be less than \$15,000, are not required to have an appraisal. All appraisals prepared for the department must be reviewed. Staff appraisers, or a staff agent (the Department's designated ROW position), acting as a designated state employee, can complete an Approved Offer with a signed Form 2, wherein they as an agency official approve the amount believed to be just compensation. Consultant review appraisers complete an Approved Offer with signed Form 2 but will also require an agency-designated official to sign for final authorized approval.

All review appraisers must understand that the amount being approved is just compensation, which is not to be confused with or be referred to as market value. This distinction is necessary for

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conformance with USPAP. The review appraiser is completing the approved offer form (Form 2) as an agency official, not as a licensed or certified real estate appraiser and should not include their licensing/certification information with the Form 2.

Determining Complexity of Appraisal Problems

When determining whether an appraisal problem is complex or not, the following items should be considered (this list is only a guide, and other factors may need to be considered):

The type of property being appraised. Examples of properties that may pose complex appraisal problems include:

- Special use property
- Transitional (interim use) property
- Mixed-use property
- Property that exhibits unique physical characteristics (example: contaminated property)
- Property where the highest and best use is not apparent
- Property where the Larger Parcel determination is not readily identifiable
- The potential for severance damage. Are the potential severance damages obvious, and can they be easily cured? An easily identified and cured severance damage may reflect a non-complex appraisal problem. The potential for the existence of incurable severance damages would result in an appraisal problem that would be considered complex.
- The potential for the proposed acquisition to impact on-site or off-site improvements or other unique site improvements would result in a complex appraisal problem.

The determination of whether a specific appraisal problem is complex or non-complex, should be made in cooperation with the regional Team Lead appraiser assigned to the project. Discussed as part of the eminent domain appraisal process, the determination should take place prior to soliciting consultant appraisers, then finalized as part of the appraisal scoping in contracting with the appraiser. If, at the time of the initial complexity determination, no statewide review appraiser has been assigned to a project, then a member of the statewide appraisal team could be consulted. Some complexity determinations may need to be changed because of changes in the project and the proposed acquisitions.

Scope of Work for the Appraisal Review

Legislative requirements exist for appraisals at both the federal and state levels. The legislation identifies the purpose of an appraisal; some basic standards for how an appraisal should be conducted; and what an appraisal report should contain. The requirement that an appraisal review be conducted is also established by The Uniform Act, 49 Code of Federal Regulations Part 24.104, which dictates that the review appraiser examine the presentation and analysis of market information in all appraisal reports to assure that the appraiser has met appraisal requirements and that the appraisal reports meet the minimum reporting requirements as established by federal and state law. The standards for conducting and reporting an appraisal review are based upon USPAP. These standards are flexible in nature and allow the scope of work for performing an appraisal review to conform to the needs of the user/client, which, for the purposes of this section, the client is TDOT.

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The Yellow Book well describes the responsibilities of a review appraiser, in part, as follows: like the appraiser, review appraisers must remain objective in their appraisal review activities. They cannot let agency goals or adversarial pressure influence their opinions of an appraisal report's appropriateness or of the value opinion(s) it reports, nor can they let their personal opinions regarding an agency's proposed acquisition enter the review process. Also, review appraisers should not attempt to substitute their judgment for that of the appraiser unless they are willing and able to develop their own opinions of value and become the appraiser of record.

The Yellow Book advises the review appraiser to keep in mind that the appraisal report that they are reviewing is the work of a professional appraiser and is a unique statement of the appraiser's opinion. In most cases the review appraiser must confine their review to:

- The adequacy and appropriateness of the analysis presented in the appraisal report
- The adequacy and appropriateness of the factual data presented in the appraisal report
- Whether the appraiser has met the appraisal requirements of their assignment

The appraisal review process, in part, is a Risk Management Function, so the review appraiser should maintain a limited scope of work for what is needed when completing their appraisal review. However, the appraisal review process is also a Quality Control Mechanism, so the reviewer must be vigilant for potential warning signs within the reviewed report, that would indicate a need to expand the normal scope of work. The need for a balance between risk and quality is addressed in TDOT's scope of work standard for appraisal reviews.

Scope of Work Standard for Appraisal Reviews

The following scope of work will be considered the standard, when reviewing appraisals prepared for the TDOT, to be used to establish just compensation. The scope includes notes (**Note**) that provide an explanation for the scope of work item that it is attached to, together with some possible areas of concern that might require a departure (expansion or contraction) from the prescribed scope of work.

The review appraiser plays an important role in the eminent domain appraisal process. After a Preliminary Group Inspection (PGI), the region's Team Lead appraiser will develop a preliminary appraisal scope of work as part of the PGI report for Central office. The review appraiser may participate in the development of the appraisal scope of work agreement because the reviewer is required to be familiar with the appropriate appraisal scope of work for the site being appraised. The review appraiser may advise with their perspective of information provided in the Right-Of-Way (ROW) plans and the potential appraisal of the tract to be reviewed.

Note: An adequate understanding of the construction project is necessary to determine whether the appraiser is provided an adequate and accurate description of the project in general, and the potential impacts to the individual parcels specifically.

The review appraiser will work with the regional Team Lead appraiser to ensure that an appropriate scope of work has been developed for the appraiser, and that the regional office has met its responsibility to provide the appraiser with all information that TDOT is tasked with providing. It is not suggested or expected for the reviewer to contact property owners. After the Market Data Brochure or the tract's appraisal report has been delivered and initially read, the review appraiser should inspect the subject, project area, and the comparables, as soon as possible.

Note: An adequate understanding of the subject property and the proposed acquisitions is necessary to determine whether the appraiser has utilized appropriate comparables and

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provided an adequate and accurate description of the subject property and the project impacts to the subject's Larger Parcel.

The review appraiser should review the title work available for the affected parcel to ensure that the ownership identified by the appraiser and the parties contacted by the appraiser for the site inspection are consistent with the title information. The title work should also be reviewed to ensure that the Larger Parcel is accurately identified, and that the appraiser has addressed any potentially adverse title issues such as dominant easements.

Note: The current ownership verification is a relatively minor step but can potentially have significant impacts on the acquisition process. This review should take place on all parcels being reviewed. The title verification to address the Larger Parcel and easement issues portion of this scope of work requirement should be confined to appraisal reports on property where the exact nature of the ownership of the larger parcel, or the existence of title issues, could potentially impact value. Examples include but are not limited to: complex commercial/industrial property, vacant development property, or property where the existence of major above or below ground utilities are confirmed by a visual inspection of the subject property but are not referenced in the appraisal report.

If the review appraiser encounters major descriptive errors or questionable factual data in the appraisal report under review, they should consider the use of an isolated verification of factual data obtained by the appraiser from current sources outside of TDOT. The use of isolated verification may also be necessary when working with an inexperienced appraiser or an appraiser that has a history of substandard work. The verification may include, but is not limited to, county tax information, zoning information, published information of subject and/or comparable sales data, etc. However, a review appraiser's use of factual data verification should be as limited in scope as possible.

Note: The determination of whether to verify factual data is part of the risk management function of the review process. It is normally assumed that the appraiser, who completed the appraisal report, is a professional who is required to adhere to strict appraisal standards. These standards require appraisers to provide accurate verified information that is not misleading. The verification of factual data should only be undertaken if the review appraiser identifies evidence of, or has good reason to assume there is, a potential for inaccuracies in the data presented in the appraisal report.

The limitations on the verification of factual data, discussed above, extends to the confirmed factual data contained within the comparable sales sheets. The limitation on verifying factual data does not, however, limit the review appraiser's ability to physically inspect all comparable sales contained within an appraisal report. It allows the review appraiser to determine if there is a need for a physical inspection of the comparable sales based upon a prior inspection of property being recently presented in another appraisal report and its comparable sales used.

Note: When reviewing an appraisal report the review appraiser has a responsibility to form an opinion of the accuracy of the description of the comparable sales selected; the adequacy of the support for the comparable sales selected, and the appropriateness of the adjustments made, or not made, to the comparable sales as part of the appraiser's valuation analysis. The review appraiser must also determine whether the appraiser has adhered to the standards for the presentation of the comparable sales data as provided in TDOT Guidelines for Appraisers.

It is within the scope of the appraisal review for the reviewer to raise concerns about the

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presentation and analysis of the comparable sales data. In addition to the presentation and analysis of the data, if the review appraiser has concerns about the quality or comparability of the sales data utilized in the appraisal report, they should discuss their concerns with the appraiser. However, there is no circumstance when the review appraiser should be conducting their own market research and analysis, unless they are performing their own appraisal.

Note: Sometimes the existence of a limited/inactive market, or an appraisal problem that includes a unique subject, requires the appraiser to use comparable sales data that is not similar to the subject property. The reviewer must remember that the sales data identified and utilized by the appraiser, is part of their opinion of value. The reviewer can determine whether the appraiser has explained and analyzed the dissimilarity of sales data adequately, and can direct any concerns they have, about the data, to the appraiser, but the final choice of comparable sales is outside of the reviewer's scope of work.

Upon receipt of an appraisal report the review appraiser will read the report, noting any spelling, typographic or math errors, and complete the review based on compliancy of USPAP, the Uniform Act and TDOT Guidelines For Appraisers. Review appraisers should attempt to complete the review of the appraisal report within 30 business days. If scheduling, workload or changes in priorities result in the reviewer being unable to meet the 30-day turnaround goal, the reviewer will communicate with the appraiser and the regional appraisal Team Lead to inform them of the delay, and the anticipated completion time.

If the review appraiser finds the reported descriptions, explanations, or analysis in any portion of the appraisal report to be inadequate, he or she shall communicate the perceived deficiencies to the appraiser. The communication will be handled by email or discussed directly with the assigned appraiser. If the appraisal report is co-signed, then the comments should be addressed to all parties who signed the appraisal report. If the appraisal report was completed by a staff appraiser with an assigned mentor, then the review comments should also be directed to his or her mentor. The reviewer should repeat the process until a satisfactory appraisal report has been produced, or until it becomes apparent that the reviewer will be unable to approve the appraisal report under review.

Upon completion of the review process the review appraiser shall complete and issue an appraisal review report on a standard right-of-way form, reporting his or her determination of whether the report under review is:

- Approved and recommended – meets all appraisal requirements, and should be used as the basis for establishing the amount believed to be just compensation
- Not recommended – does not meet one or more appraisal requirements, and should not be used as the basis for establishing the amount believed to be just compensation

Unless the review appraiser has completed their own appraisal analysis of the property addressed by the appraisal report under review, he or she will not render an opinion as to the findings of value. The review appraiser will not indicate whether the value findings contained within the appraisal report are: right; wrong; too high, or too low. The review appraiser will only render an opinion as to whether the appraisal report supports the findings.

The statewide or regional staff review appraiser (this is a statewide or regional position designation), acting as a designated state employee, shall solely complete an Approved Offer and submit a signed Form 2, wherein they will approve the amount believed to be just compensation. A

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non-state employed review appraiser will compete and submit a signed Form 2, which also require a review and signed authorization of a designated state agency official.

The review appraiser must understand that the amount being approved is just compensation, which must not be confused with or be referred to as market value. This distinction is necessary for conformance with USPAP. The review appraiser, in conformance with USPAP, is not completing the approved offer and Form 2 submittal as a licensed or certified appraiser and should not include their licensing/certification information on the report form.

If it becomes necessary for the review appraiser to complete their own appraisal, they can utilize the reviewed appraiser's data, including estimation of values, or, if necessary, they will be required to complete the appraisal process and prepare an appraisal report. The review appraiser's estimation of value, or the appraisal report prepared by the review appraiser must be reviewed by a statewide review appraiser, who must adhere to the scope of work standard for appraisal review.

The review appraiser is encouraged to compare appraisal reports for different parcels on the same project to identify any significant variations that may alert the reviewer to possible problems in the appraisal process. Specific items of comparison would be the final value conclusions for the various parcels, or the specific comparable sales used to value parcels that are similar to each other. While it would be inappropriate to expect all parcels on a project to have identical or highly similar unit values (price per sq. ft., price per ac., etc.), any significant variations could indicate possible problems in the appraiser's process. In addition, if an appraisal report utilized different comparable sales to value parcels that are highly similar, this could raise concerns about the appraiser's process for selecting comparable sales.

Note: When it becomes necessary for the review appraiser to depart from the standard scope of work, the reason for the departure and a description of the steps taken by the reviewer must be included in the review report.

Appraisal Review Checklist

As the review appraiser reads the appraisal report under review, they will need to identify any spelling, typographic or math errors. They must also consider each of the following items, which are consistent with the department's appraisal review report form.

- Is the appraisal report prepared in conformance with the reporting standards established by USPAP (Standard 2), and does it conform with the corresponding appraisal reporting standards as presented in the Uniform Act and TDOT Guidelines For Appraisers?
- Does the area/interest to be acquired agree with the ROW plans and a recorded plat, and is a copy of the plat included in the report?
- Was the owner or his/her designated representative offered an opportunity to accompany the appraiser during the inspection of the subject property?
- Is the effective date of appraisal the same as the date of the last inspection?
- Did the appraisal report include a scope of work, and was it sufficient to address the appraisal problem?
- Did the appraisal report contain any hypothetical conditions? Appraisal reports typically identify two common hypothetical conditions.
- Did the appraisal report contain any extraordinary assumptions? Appraisal reports typically identify

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one common extraordinary assumption.

- Did the appraisal report contain any additional assignment conditions (hypothetical conditions, extraordinary assumptions or jurisdictional exceptions), and were they approved by TDOT? Any additional assignment conditions must be identified in the review comments section of the appraisal review report.
- Was there an adequate discussion of the area and neighborhood and market analysis as it relates to the subject property?
- Was there an adequate discussion of the project as it relates to the subject property's Before and After?
- Was there an adequate discussion of the physical characteristics of the land?
- Was there an adequate discussion and illustration of the physical characteristics of the subject's improvements and utilities?
- Was there an adequate discussion of the existing zoning and its bearing on the subject property?
- Was there adequate discussion as it relates to the subject property's Before and After of the highest and best use of the subject property both as vacant and as improved with a reasonable and adequately supported conclusion?
- Was there an adequate discussion of the larger parcel for the subject property, and was the conclusion reasonable and adequately supported?
- Was the acquisition area discussed in an adequate and understandable manner?
- Was the remaining property and the effects of the proposed acquisition explained in an adequate and understandable manner?
- For Total acquisition or the potential Alternate Offer for Total Acquisition, was a comparison of the subject's tax assessment relative to the appraiser's opinion of value discussed?
- Did the appraiser identify the three approaches to value, which approaches were utilized and why the approaches excluded were not used?
- Were the appraisal approaches, methods and techniques, employed by the appraiser, adequately discussed and described, and were they utilized appropriately?
- Were the comparable sales verified and presented in a format consistent with respective data noted in TDOT's comparable sales form for that property type?
- If multiple approaches to value were utilized, did the appraiser include a final reconciliation of value, and did the analysis provided support the appraiser's final conclusion of value?
- Did the appraiser provide an allocation, of the concluded damages, in a manner that was reasonable and understandable?
- Did the appraiser include any non-compensable items, including the damages identified?
- Did the appraisal report provide sufficient mapping, photographs and descriptions to adequately identify the subject property and the impacts of the proposed acquisitions?

Comparable Market Data and the Valuation Conclusion

The objective of most appraisal assignments is to arrive at an opinion of market value. For the appraisal report under review to have validity, it must be based on data that is both factual and relevant. The review appraiser, through the appraisal review process, has a valid role in ensuring that the data meets those requirements; however, the ultimate responsibility for the quality of the data and the final opinion of value rests with the appraiser. It is the reviewer's responsibility to recognize whether an appraiser's analysis is adequate, and their conclusions supported within the appraisal report.

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The review appraiser should conduct a limited market review of available sales data. The reviewer should communicate any reservations that he or she may have about the quality of the market data within the appraisal report to the appraiser and discuss the possibility of the appraiser expanding the data search. This discussion is not considered to be outside of the reviewer's scope of work; however, when performing an appraisal review the reviewer must recognize that good comparable market information can be limited for some locations or simply not be available. When market data is limited, the appraiser is often forced to compensate for the lack of data through careful analysis and evaluation of the data that does exist. The reviewer must understand that if the available data is carefully and appropriately analyzed, an opinion of value based on limited data can be acceptable. If the appraiser has provided the available factual data and explained the market limitations, has analyzed that data fully, thoroughly explained how it relates to the subject property, and has given the reasoning and logic for their conclusions, the final opinion of value will likely be reliable.

As with the identification of factual data, the final opinion of value stated in the appraisal report, is the responsibility of the appraiser. The reviewer can recommend changes to the appraiser but eventually must; choose to recommend and approve an appraisal report in spite of their concerns or choose not to recommend approval of the appraisal report and either recommend the department seek another opinion of value or complete their own appraisal. Unless a review appraiser completes their own appraisal, they cannot, under USPAP, agree or disagree with another appraiser's opinion of value.

Requests for Revisions

As indicated in **Scope of Work Standard for Appraisal Reviews**, the review appraisers should attempt to complete the review of the appraisal report within 30 days of its receipt. Once the review of a submitted appraisal report has been completed, the reviewer will communicate questions or recommended modifications to the appraiser by email. If the reviewer encounters complex appraisal issues in the report being reviewed, that do not lend themselves to a written reply, they are encouraged to talk with the appraiser directly. The conversation should be followed up with an email highlighting the issues discussed. The review appraiser should note in their file that revisions were requested from the appraiser and their discussions. The email and other comments are part of the review appraiser's file and should not be placed in a location where it is generally accessible. While the information contained in the comments and email are considered a matter of public record and must be provided upon request at later time, it only becomes accessible to the public after completion of the project or after litigation or negotiation of acquisitions are complete, whichever is the later; Therefore, it should not be placed in a location which does not provide oversight of who accesses the information. Limitation of access to the information may reduce the possibility of misuse or misinterpretation of the comments and uncorrected content contained in the email.

The above process for revisions will repeat until the review appraiser is able to identify the appraisal report as recommended, or until it becomes apparent that the reviewer will be unable to recommend approval of the appraisal report under review. The review appraiser is not permitted to make any changes to the final signed hard copy, or electronic version of the appraisal report. The frequently asked questions section of USPAP indicates that simply changing the original appraisal report, in any way, without the consent of the original appraiser would be a violation of the conduct section of the ethics rule. If the appraiser consents to any changes then they should make the changes themselves and apply the appropriate date of the report.

When the appraisal report has been accepted and recommended by the review appraiser, the reviewer

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should notify the appraiser and, if needed, to submit the final signed electronic copy of the appraisal and any hard copies, either required under their contract, or as part of their appraisal assignment. This notification should be made by an email for a correspondence record. The appropriate regional or statewide appraisal and/or acquisition staff should be copied on the email to alert them to the fact that the final appraisal report has been received and the appraisal review report submitted.

Inability to Recommend or Approve Appraisal Report

If the review appraiser is unable to recommend (or approve) an appraisal report as an adequate basis for the establishment of the offer of just compensation, there are options that can be considered:

- An additional or second-opinion appraisal may be obtained or available. If there are multiple appraisals, the review appraiser can review one (or more) but recommend (and approve) one. Additional appraisals must be requested through the management. If it is determined management that it is not practical to obtain an additional appraisal, the reviewer may be requested to develop their own opinion of value.
Note: Per Standard 3 of USPAP the reviewer is not required to replicate the steps completed by the original appraiser [added: or appraisers]. Those items in the work under review that the reviewer concludes are credible can be extended to the reviewer's development process on the basis of an extraordinary assumption. Those items not deemed to be credible must be replaced with information or analysis developed in conformance with USPAP Standard 1, as applicable, to produce credible assignment results.
- The review appraiser may recommend themselves to write a new appraisal but will need agency management approval before beginning.
Note: If the originally assigned review appraiser completes a review appraiser's estimation of value, or a full independent appraisal, the resultant report should be reviewed by a different review appraiser.

Divergent Values – Multiple Appraisals

A review appraiser may be required to review more than one appraisal of the same property. Where there is more than one appraisal on a parcel it must be remembered that before a comparison or value estimation is made, all the appraisals must be subjected to the same standard appraisal review scope of work to determine if they meet the appropriate documentation standards and agency requirements. To ensure that the individual appraisal reports are comparable, all factual and technical errors must first be resolved. Once the appraisals have been corrected, or brought to a final condition, the appraisal reports can be compared, one to another.

The reviewer should compare the appraisal reports based upon factual data, as well as elements of the appraiser's judgement, as presented within the appraisal reports, and compare any differences. There should be no difference in the substance of the factual data; however, appraisers may disagree on the highest and best use, the damages to the remainder, the selection of a capitalization rate, the contributory value of improvements, types and amounts of depreciation, whether an item is real or personal property, or the comparability of certain comparable sales. When appraisers disagree on matters of judgment, the reviewer should analyze the elements of disagreement and determine the appropriate course of action. The

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reviewer could, after discussing the elements of disagreement with the assigned appraisers, ask one or more of the appraisers to reconsider their position on the elements of judgement in question or require that an appraiser provide additional data or rationale for his or her position. The reviewer must be careful not to direct or dictate an opinion to the any of the appraisers. All value related communication between the reviewer and the appraisers must be in writing and become part of the review file. After the attempts to reconcile divergences, the reviewer will usually have at least one appraisal that can be approved as the basis for the offer of just compensation. If, upon completion of the review process, significant divergences remain, the review appraiser's written report should point out the differences and explain why the reviewer recommended one appraisal and not the others.

If the review appraiser cannot approve and recommend any of the appraisals prepared for a specific parcel but agrees with each of the appraisers on different points of analysis, elements of each of the appraisals may be combined into a final review appraiser's estimation of value. The review appraiser's estimation of value can be completed per standard 3 of USPAP. The reviewer is not required to replicate the steps completed by the original appraiser [added: or appraisers]. Those items in the work under review that the reviewer concludes are credible can be extended to the reviewer's development process on the basis of an extraordinary assumption. Those items not deemed to be credible must be replaced with information or analysis developed in conformance with USPAP Standard 1, as applicable, to produce credible assignment results. Under unusual circumstances, the determination may be so complex (possibly containing the review appraiser's independent research and analysis not contained in the original appraisal reports) that it stands alone as a separate appraisal. The reviewer's determination requires the same level of documentation and support as any other appraisal.

A review appraiser may suggest that an additional appraisal be conducted. Ideally, the new appraisal will confirm the value of one of the original appraisals. However, there is a risk that the new appraiser may come up with an entirely different value or a value out of range of the other appraisals. When this happens, the review appraiser is back to resolving the problem with a "Review Appraiser's Estimation."

Appraisal Review Report

When the appraisal report has been accepted and recommended by the review appraiser, the review appraiser will complete the TDOT approved appraisal review report and Form 2. The reviewer will confirm that the allocated items in TDOT Guidelines For Appraisers matches the approved and recommended appraisal report.

The report template can be generated, and the initial fields populated, in IRIS. The reviewer will add whatever additional discussions and analysis they feel is required to meet the reporting standard (Standard 4) of USPAP. The reviewer must understand that the appraisal review form is a standardized template. As a template, the appraisal review form report may present limitations (inflexibilities) to the reviewer when they are working within IRIS, which may not always allow him or her to meet USPAP reporting standards. However, this does not relieve the review appraiser of the responsibility to meet USPAP requirements. If necessary, the reviewer may have to download the report to their own computer and modify the review report document, which will be uploaded into IRIS. Whether the modification is necessary, and the extent of the possible modification, are direct functions of the complexity of the appraisal problem.

49 CFR Part 24.104(c) requires the appraisal review report to document any damages or benefits with the remaining property. This requirement will be met by the review appraiser reporting the final allocation of

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total damages as presented in the appraisal report, in the review comments section of the appraisal review report. The review appraiser should indicate that the value information being presented is not intended as an approval of the appraiser's value findings. The allocation information presented is intended as a documentation of facts contained within the appraisal report under review.

Form 2

The Form 2 is an administrative document. When the appraisal report has been accepted and recommended by the review appraiser, the reviewer will utilize a Form 2 to authorize an approved offer for just compensation. The report template can be generated, and the initial fields populated, in IRIS. The reviewer will add whatever additional discussions and analysis they feel is required to address the specific issues associated with the parcel under review. If the reviewer is unable to make the desired entries in IRIS they may have to download the Department's document file to their own computer and modify the Form 2, which will be uploaded in IRIS. Whether the modification is necessary, and the extent of the possible modifications, are direct functions of the complexity of the appraisal problem.

In the Form 2's Comments To Negotiator, the reviewer is required to summarize any modifications from the approved appraisal report, including rounding and revision of acquisitions and or amounts. The comments should also summarize changes made from any previous Form 2s on the tract. In approving the offer to be made, the reviewer is not agreeing with the market value findings within the appraisal report. This would be contrary to USPAP unless the reviewer had completed their own appraisal. The reviewer is approving an amount of just compensation. While the market value estimation from the reviewed appraisal report provides evidence of the amount of just compensation, it is not the same as just compensation. Nor is it the only evidence that is considered in determining just compensation. There will be times when the review appraiser may need to consider issues not contained within the appraisal report (example: minimum payment adjustments). It is for this reason that the individual signing the Form 2 is doing so as a designated authority of TDOT and not as a certified appraiser. Therefore, the review appraiser will not include their license/certification information on the form, nor will they identify themselves as an appraiser. They will indicate their name in the appropriate field as either "Personnel" (staff) or as a Review Consultant and sign the document.

The review appraiser has several subordinate responsibilities such as determinations concerning uneconomic remnants, segregating tenant-owned improvements from fee-owned improvements, and inclusions of utility adjustments. The following may be specifically addressed on the Form 2:

Nominal Payment Parcels (NPP's)

For a tract to qualify as a Nominal Payment Parcel (NPP), both the valuation of all acquisitions on the tract must be noncomplex and the tract's total approved offer must be less than \$15,000. On projects where all tracts qualify for "NPP" treatment, the responsible staff appraiser or agent with appraiser assistance will conduct the necessary research to prepare the estimated amount of compensation. On projects where appraisals have been developed by private sector appraisal consultants, these can and should be used as a guide for "equity of treatment" with tracts on the same project that qualify for "NPP" treatment. All NPP tracts require field inspection. The completed Form 2-NPP will be submitted to the TDOT ROW Supervisor for approval prior to negotiations.

Guidelines For Review Appraisers

Minimum Payments

The Form 2's approved offer shall not be less than TDOT's established minimum payment of \$300. The amount of the minimum payment is not a recognition of market conditions, and it is not appropriate to handle as an appraisal rounding factor in the appraisal report. The effects of a minimum payment must not be included in the appraisal analysis of the subject property. The minimum payment is a policy issue associated with just compensation, and as such must be part of the just compensation approval process. The entry for the minimum payment adjustment will be identified as Other on the Form 2, with the description identifying the entry as just compensation adjustment for minimum payment in the Form 2's Comments To Negotiator.

Determining Uneconomic Remnants, Alternate Approved Offers

If the acquisition of only a portion of property would leave the owner with an uneconomic remnant, the acquiring agency shall offer to acquire the uneconomic remnant along with the portion of the property needed for the project. While the acquiring agency is required to make an offer for the remnant, the property owner is under no obligation to sell the remnant to the acquiring agency. (CFR 49-24-B-102-K)

If the reviewer determines a remainder qualifies under the Federal definition as an uneconomic remnant, then the reviewer shall make the necessary calculations toward an "Alternate Approved Offer" in addition to the "Approved Offer". The "Approved Offer" will be the typical offer for the partial acquisition. The "Alternate Approved Offer" will be based on the acquisition encompassing not only the acquisition shown on the plans but also include the uneconomic remnant(s) determined by the review appraiser to be created by the partial acquisition.

An uneconomic remnant is a "parcel of the real property in which the owner is left with an interest after the partial acquisition of the owner's property, and which the acquiring agency has determined has little or no value or utility to the owner". (CFR 49-24-A-2-27)

Uneconomic remnants do not have to be valueless, and in fact may well have some utility and value –if only to an adjacent property owner; however, to be classified as an uneconomic remnant, utility and value to the present owner must be severely limited. An uneconomic remnant typically may not have a readily identifiable independent developmental capacity but may only have value for assemblage or some other change in the site's Highest and Best Use. Notwithstanding the above, nothing shall preclude the appraiser from considering special benefits, which may accrue to the remnant.

Utility Adjustments

On all partial takings of properties where privately owned utilities are affected and the property owner will bear the cost of the adjustment, a predetermined amount will be offered, to repair, adjust, or relocate the utility or utilities. This offer will be made in writing at the initiation of negotiations,

based on the amount shown on ROW Form-2, "Appraisal Review Report." The amount included in the Form-2 will be based on an estimate obtained by the property management section. The estimate must be provided to the review appraiser prior to the time appraisals are submitted for review approval.

Guidelines For Review Appraisers

ROW Form-14, "Utility Service Connections" has been designed for use in completing the estimates; however other appropriate formats may be used if all required information is included.

Rounding

So as not to suggest a level of precision in an appraiser's calculated compensation for the total amount due owner, reasonable rounding is accepted. All rounding for the total amount due owner is to be rounded up as to not indicate any reduction of compensation due. Often an appraiser will employ rounding for the total amount due owner in the report. Also, the review appraiser may employ rounding for the total amount due owner on the Form 2. Any rounding employed for the total amount due owner must be shown as a line item on the Form 2 (Other), referenced and explained in the Form 2 comments.

Tenant Owned Improvements

During the appraisal process, if it is determined that tenant owned improvements exist, a separate offer must be made to the tenant for those improvements being acquired. In all such cases, a value for the tenant owned improvements, including damages, will be separately stated on the Form-2 and explained in the Review Comments.

60-Day Memorandum

In no instance will an offer be made later than 60 days after the date of Review Approval, which is the date the Form-2 is signed by the Review Appraiser. If the 60 days passes without an offer being made, the review section will be requested by memorandum to reevaluate the approved value. If a revised offer is warranted, a revised Form-2 will be issued with a new date of Review Approval. If not, the reviewer may reconfirm the value(s) by memorandum.

Property Owner Appraisals

49 CFR Part 24.102(f) – Basic negotiation procedure, states (in part) that the owner shall be given reasonable opportunity to consider the offer and present material which the owner believes is relevant to determining the value of the property, and to suggest modification in the proposed terms and conditions of the purchase. TDOT shall consider the owner's presentation (or their appraisal). As part of its process of considering the property owner's appraisal, the regional office is encouraged to utilize the expertise of the review appraisers assigned to the project. The region has the discretion to determine what portions of the property owner's appraisal they want the reviewers to comment on. Review appraisers can verify factual data and check technical issues in the appraisal. When requesting the review of a property owner's appraisal, the regional office must discuss a delivery time, with the review appraiser that allows the review appraiser adequate time to undertake the level of analysis requested. Unless the review appraiser is authorized to perform their own appraisal, the reviewer must not provide an opinion of the value presented in the property owner's appraisal. If the reviewer is not authorized to establish their own opinion of value, their comments must be limited to issues of quality and appropriateness of analysis. If the review appraiser is requested to review a property owner's appraisal, the reviewer must adhere to the same requirements that govern the review of appraisals prepared for TDOT.

Guidelines For Review Appraisers

Appraisal Updating

The need for updating an appraisal can result from a couple circumstances:

- The most common situation is where project changes, delays or negotiating delays that have caused the appraisal report to become stale. Generally, the subject's market activity indicates if an updated appraisal is needed. If the effective date of the appraisal is 12 months or more, it is recommended that an updated appraisal is likely needed.
- New data has been brought to the attention of the review appraiser or department staff.

If the reviewer determines that it is necessary to update an appraisal report, they should document and communicate the need in writing through an email to Regional Team Lead Appraiser (copy both the Appraisal Manager and the regional Right-Of-Way Manager for the region in which the project is located). The reason for the update should be clearly stated, and any new data included in the correspondence.

Appraiser Performance Problems, Evaluations

The review appraiser has a role in identifying possible performance problems with appraisers being reviewed; however, the primary role of the review appraiser is to review an appraiser's appraisal report, not to enforce contracting issues. If the review appraiser has issues associated with the appraiser's performance, they should direct their comments to the regional Appraisal Team Lead. By the end of December of the calendar year, the review appraiser will complete the Department's Annual Appraiser Evaluation Form for each appraiser's body of work reviewed during the calendar year. The review appraiser is not barred from discussing performance issues directly with the appraiser; however, ultimate responsibility for dealing with underperforming appraisers rests with the Department's Appraisal Manager.

Specific appraiser performance issues will be handled on a case-by-case basis. If, during the appraisal or appraisal review process, an appraiser fails to perform satisfactorily, or whenever it is suspected that an appraiser may be struggling, or for whatever reason(s) concern is raised, the regional Appraisal Team Lead must be informed. In turn, the regional Appraisal Team Lead should investigate and be prepared to indicate what the appraiser is doing (or not doing) that is substandard, what needs to be corrected and report results to the Appraisal Manager. They will determine the best course of action to address the concerns with the appraiser.