OFFICE OF THE SECRETARY
OFFICIAL ORDER 111988

SUBJECT: Appraisal Guidelines Manual

This manual has been prepared to provide information and guidance to personnel of the Kentucky Transportation Cabinet. Its purpose is to establish uniformity in the interpretation and administration of laws, regulations, policies, and procedures applicable to the operations and services of the Appraisal Branch, Division of Right of Way and Utilities, and its relationship with other units of the Cabinet.

The policies and procedures set forth herein are hereby approved and declared effective unless officially changed.

All previous instructions, written and oral, relative to or in conflict with this manual are hereby superseded.

Signed and approved this 15th day of October, 2019.

Greg Thomas
Secretary

Approved as to Legal Form
Will Fogle
Office of Legal Services
This Appraisal Guidelines Manual was developed to provide guidance regarding the requirements for preparation of appraisals and appraisal reports for the Kentucky Transportation Cabinet (KYTC), Division of Right of Way and Utilities, in the acquisition of real property using state- and federal-funded projects. This manual is intended for both staff and fee appraisers in preparation of appraisal reports in order to promote a degree of uniformity in the appraisal process and to outline the basic requirements for standardized reporting. This manual is not intended to address all aspects related to the appraisal process, but to introduce the appraisers to the formats used by KYTC for reporting an opinion of market value for the basis of just compensation and to address some of the common issues encountered in appraising eminent domain acquisitions. None of the material contained herein is intended to influence the independent judgement of the appraiser. The appraisal staff and all fee appraisers under contract with KYTC are charged with the responsibility of understanding and complying with the instructions contained in this manual. Strict adherence to these instructions is required.

Virtually all of the appraisals conducted for KYTC Division of Right of Way and Utilities are prepared for eminent domain use and are subject to scrutiny by landowners and the public; therefore, these appraisals require a level of completeness and, occasionally, a complexity seldom found in general appraisal reporting. The purpose of this manual is to provide a flexible guide to the understanding and effect of existing state and federal laws and policies, as they apply to the field of appraisal and appraisal review, for those appraisers or reviewers working for the Kentucky Transportation Cabinet (KYTC) or local public agencies (LPAs) involved with KYTC on transportation projects. The appraisal policy subjects discussed here are not usually encountered in other types of appraisals. They are unique to right-of-way appraising, particularly for partial acquisitions.

Appraisal professionals are aware that public trust and confidence in the highway program rest in high degree with the professionalism and skill they display when carrying out their work. The Appraisal Guidelines Manual supports the importance of the appraisal process and encourages sensitivity to the needs and concerns of citizens who are called on to relinquish property, sometimes their home or business, for the overall public good. It is a human endeavor that requires the highest level of understanding and respect from the people who represent the Commonwealth of Kentucky in this activity. This manual is to be used not only by KYTC staff and prequalified right-of-way consultants, but also by local public agencies who acquire property for state- and federal-funded projects. The Director of the Division of Right of Way and Utilities is authorized to interpret, clarify, or approve exceptions to provisions of this manual. This may be done where application of policy as written might be misunderstood or have an unintended effect when applied to special situations.

The Appraisal Guidelines Manual is a living document that will change as laws and regulations change and more effective management practices evolve. All users of this manual are hereby made aware that all federal and state laws and regulations, whether mentioned herein or not, must be observed and followed to be in compliance with KYTC requirements. Users are encouraged to advise the Director of the Division of Right of Way and Utilities of the need for corrections or provide suggestions that would improve the content of this manual.

Correspondence should be addressed to:

Kentucky Transportation Cabinet
Division of Right of Way and Utilities
200 Mero Street, Frankfort KY 40601
Attn: Director, Division of Right of Way and Utilities
# APPRAISAL GUIDELINES

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Chapter Title—The subject matter in the manual is divided into chapters. The chapter title appears in the upper right-hand corner of the first page of a subject and in the upper left-hand corner of any subsequent page.

Sections—Some chapters are divided into sections. Each section title, instead of chapter title, appears in the upper right-hand corner of the first page of a subject and in the upper left-hand corner of any subsequent page.

Subjects—Chapters and sections are arranged by subjects.

Subject Number—Each subject is assigned a number, which appears in the upper right-hand corner of each page of the subject. For example, Chapter 400 includes subject 401, followed by subject 402, which is divided into section subjects 402-1 through 402-2.

Subject Title—The title of a subject appears in the upper right-hand corner of the first page of a subject and in the upper left-hand corner of any subsequent page.

“AG” Prefix—Preceding each subject number, this prefix stands for the manual title Appraisal Guidelines.

Date—The latest issuance date of a subject appears at the bottom of each page of the subject. This date agrees with the latest issuance date shown for the subject in the Table of Contents (AG-01).

Page Numbering—Each subject has its own page numbering, which appears at the bottom of each page.
Indexes—One index appears at the front of the manual:

Table of Contents (AG-01)—This index at the front lists the titles of the manual’s chapters and sections and their subjects, as well as other information, in numerical order. It includes the latest issuance dates of all the subjects. As the manual matures, these dates change.

Subject Numbers within Narrative—A subject number within the narrative on a page directs the user to more information about the subject.

Whom to Contact—For answers to questions about the contents of the manual, please contact:

Division of Right of Way and Utilities
Transportation Cabinet Office Building
200 Mero Street
Frankfort, KY 40622
(502) 564-3210

For copies of the manual, please contact:

Organizational Management Branch
Transportation Cabinet Office Building
200 Mero Street
Frankfort, KY 40622
(502) 564-4610
The purpose of the Comparable Sales Report is to provide the data, analysis, studies, and narrative explanations necessary to support the appraiser’s reasoning and conclusions reached in each of the appraisals. The importance of the Comparable Sales Report cannot be overemphasized since it is a critical part of each appraisal. It is the foundation of any appraisal assignment, and the reliability of the value conclusion built upon it depends on the care and thoroughness of the appraiser assembling it.

The appraiser is to use Forms TC 62-20B, C, and D to compile the data concerning each comparable sale used (AG-204). The appraiser should list all items appearing on the forms applicable to that particular sale in the space provided or on supplemental sheets. The sales data form the nucleus of the sales report. Analysis and interpretation of this data serve as the basis for making comparison and adjustment differences between the sales and subject parcels being appraised.

The appraiser may develop analyses in the form of paired sales, studies, graphs, charts, or tables. Any analysis should explain the reasoning regarding various factors of differences such as time increase, location, topography, size, contributing value, or depreciation. By including sufficient analysis and explanation in the Comparable Sales Report, the appraiser can eliminate repetitious explanations within each appraisal by simply referring to the Comparable Sales Report and the page number on which their documentation appears.

The initial effort in preparation of a Comparable Sales Report shall consist of a detailed review of plans and cross sections, as well as a field inspection of the individual parcels affected. The appraiser shall give particular attention to the characteristics of the neighborhood, including the type, age, trends, or uses of the properties within the defined area of both project and neighborhood.
At this point, the appraiser shall be fully aware of the general demands of the project relative to the scope of data required and any unusual circumstances or anticipated problems, which shall then be discussed with the review appraiser.

An outline of items that shall be included in the Comparable Sales Report is shown on the following pages.
### COMPARABLE SALES REPORT

#### Subject
Assembling Market Data

#### RELEVANT DATA
The appraiser begins this phase of the appraisal process by assembling all relevant data including sales of properties comparable to those affected by the project, current rental information, current building, site improvement costs, and all other data that may influence the values of properties to be appraised.

#### MARKET DATA REPORT
The appraiser compiles and submits the market data as a separate report that is incorporated by reference into each appraisal. The appraiser shall submit the report in a protective side binder with project identification, appraiser name, and compilation date visible on the exterior of the report.
SUPPLEMENTAL REPORTS

In some instances, the appraiser may elect to submit a supplemental report to a comparable sales report previously prepared for another project or section in the area. This may be an option when the previous analyses remain relevant.

**Note:** The use of a supplemental report must have prior approval of the review appraiser.

In a situation where a project involves few parcels, the review appraiser may accept sales data attached to the individual appraisal reports. The attachment must include sufficient information to provide the reader with an adequate description of the area, neighborhood and project. The supplemental data must include a sales map that notes the project and sales location, as well as the appraiser’s certification of comparable sales data.

REQUIRED DOCUMENTS

The Comparable Sales Report must contain the following:

- **Letter of Transmittal** – This letter addressed to the Director of the Division of Right of Way & Utilities shall include the date of submission, project identification, number of appraisals in the assignment breadth of analysis, the approximate number of sales inspected and/or considered for use, and the actual number of verified comparable sales included in the report.

- **Table of Contents** – This item shall include the page numbers on which various items in the sale report appear.

- **Appraiser Certificate** – Sign and date Form TC 62-22.

- **USPAP Certification** – Although the Cabinet believes that its certifications are sufficient, it is strongly suggested that the certification used in Standards Rule 2-3 be included as a part of the sales report in order to ensure all USPAP requirements are met.
Required Documents (cont.)

- **Limiting Conditions** – This item shall include contingencies and limiting conditions that would apply to all sales and analysis included in the report and to all appraisals within the project.

  **Note:** Special conditions that apply to individual parcels shall be included in the appraisal of the particular parcel.

- **Summary of Comparable Sales** – An exhibit is required which summarizes the details of all comparable sales. This can be most beneficial to the appraiser in the analysis of the sales and selection of sales used in the appraisal.

  Items shall include, but not limited to, the following: Sale number, grantor, grantee, location, sale date, sale price, size or area, overall unit price, unit price for buildings, and land and site improvements.

- **Project Analysis** – Under this heading, the appraiser may describe the type of highway, access restrictions, and how the project will affect the properties both generally and specifically.

  The appraiser shall:

  - Describe the point of beginning, how the project traverses the neighborhood(s), and the end of the project.
  - Use station numbers to pinpoint special problems.
  - Discuss problems that may be encountered regarding access, entrances, proximity, or other items considered pertinent to the assignment.

- **Area and Neighborhood(s)** – Under this heading, the appraiser shall discuss:

  - 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, or police and fire protection.

  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 neighborhood(s) traversed by the project, so as to provide the reader with an understanding of the type of neighborhood as the appraiser sees it and its economic relationship to the area or county.

Type of zoning in the project area and the degree of enforcement.

**Note:** If zoning may have an effect on the value of parcels on the project (either before or after the acquisition), the appraiser shall summarize those appropriate classifications as to minimum and maximum requirements for area, setback and sideline clearances, and probability of obtaining variances.

**APPRAISAL DOCUMENTATION**

Although a variety of published materials may be considered, it is suggested that the appraiser be concerned primarily with pertinent information that will add support to the opinions of value developed.

In making their analysis, the appraiser must take into consideration the Uniform Relocation Assistance and Land Acquisition Policies Act of 1970, 42 USC Ch. 61, subchapter III section 4651 (3), which states in part:

> “Any decrease or increase in the fair market value of 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, will be disregarded in determining the compensation for the property.” (also see: 49 CFR, section 24.103(b) & Appendix A, section 24.103(b).)

In all appraisal assignments, the appraiser must support their opinion or reasons for various adjustments made between the comparable sales used and the subject properties, including the source(s) of cost upon which opinions will be based. All adjustments must be listed in sales grid.

Occasionally, it may be necessary for the appraiser to support certain reasoning with adjustments peculiar to a specific parcel being appraised. Adjustments for such items as market conditions (time), location, size, and improvements and damages may be common to several appraisals. The appraiser can save time and avoid repetition by including the basis for these recurring adjustments in the narrative portion of the Comparable Sales Report.
The following are items considered necessary in most appraisals:

- **Time Adjustment** – The appraiser must account for any change in economic conditions between the date of sale and the date of appraisal.

  A time increase or decrease factor may be developed by one or more of the following methods:

  - **Back-to-Back Sales:** Refer to a comparable sale(s) that has sold two or more times in the last few years and show the average increase or decrease in value on an annual/monthly basis.

    The appraiser:
    - Must be careful to exclude from the difference any improvements made to the sale(s) between the sale(s) dates.
    - Shall consider the effect any motivation of the buyers or sellers may have had upon the transactions.
    - Must be certain that a transition to a higher and better use was not the cause of increase.

  - **Paired Sales Analysis:** Where resales of the same property are few, the appraiser may list two or more sales that are similar in characteristics, location and highest and best use at the time of sale, each selling at a different date. After adjusting for differences between the sales, a trend of increase or decrease shall be indicated. The appraiser must consider motivation and the possibility of transition for these sales.

  - **Other Data Sources:** Published indices may be used to support rates of appreciation or depreciation in real estate values. Lacking any of the objective sources for change in market conditions, the appraiser may quote professionals knowledgeable in the market area (real estate agents, developers, lenders, etc.). Since personal perception is inherent in the marketplace, the subjective sources shall only be used to support other documentation, or for application of nominal changes. The more sources quoted, the stronger the support.
A variety of methods can be used to document a time increase or decrease, or the lack of one. Through analysis and correlation of data, the appraiser may find that market prices for different type of properties change at different rates. If this is the case, the appraiser shall use factors that are appropriate for each specific property type. If the appraiser determines the market conditions are static and no adjustment is warranted, an explanation must be provided.

Comparable sales data over five years old is generally unacceptable. A thorough explanation must accompany the application of any older data to justify its use. It may be necessary to use older data in the appraisal of unique and special properties when more current data is not available. Conversely, some markets experience rapid change, and therefore, it may be necessary for comparable sales data to be more current, such as less than 6 months.

- **Financing Adjustment** – If atypical or creative financing is reflected in the sales price, the appraiser may find it necessary to develop procedures for adjusting some of the data. Terms of sale may indicate a cash equivalency adjustment is warranted if significant advantage accrues to one of the parties.

- **Location Adjustment** – In most market areas, some locations are more desirable than others, and generally, the sales occurring in each of these locations will reflect this difference if properly analyzed.

Location adjustments may be supported by an analysis of land values in the various areas of the project based on bare land sales or on properly allocated land values. The sales shall be adjusted for time and other factors so that only location is considered in the net difference.

The appraiser shall discuss highest and best use in the context of developing trends within the various sectors of the project. The appraiser may then show the reasoning for a range of adjustments for location in those areas of the project related to the comparable sales.

- **Land Adjustment** – Since no two properties are alike, some adjustment for differences in land characteristics may be necessary. The appraiser can provide a reasonable analysis for adjusting the differences on residential lots, and commercial and industrial land.
The appraiser shall make an analysis to explain the reasoning and procedures to be used in the appraisal report.

In eminent domain appraisal reports, adjustments for the difference in the ratio of land classes of agricultural properties is considered a topographical adjustment. To aid the appraiser, an example of land class rating for agriculture land is included at the end of this section.

**Improvement Adjustments** – As with land, very few properties have buildings and special land improvements alike, and adjustments need to be made for factors of difference such as area, quantity, quality, age, condition, etc.

The cost source used to classify the improvements shall be discussed as to its validity in the project area and its relationship to allocation, depreciation and contributing values which will serve as a basis for adjustments in the market approach and possibly the depreciation used in the cost approaches.

Under this heading, the appraiser shall discuss the method used to allocate the contributing value of buildings and special land improvements on the sales and how adjustments for differences will be made between the sales and subject properties.

**Curable Functional Obsolescence** – Curable Functional Obsolescence is an element of accrued depreciation. A curable defect is caused by a flaw in the structure, material, or design. When a property suffers a functional deficiency caused by the acquisition, and that deficiency can be cured, a corresponding adjustment shall be reflected in the after value.

A deficiency is curable when the contributing value of the item is greater than the cost to cure. If the adjustment is cost-based, the appraiser must show the source(s) from which the costs were obtained and unit prices for each item considered in the adjustment. Generally, these are obtained from local businesses or contractors.

A compilation of these costs may be presented in the Comparable Sales Report and applied in the appraisal report as needed.
The following discussion is to assist the appraiser in determining the type and extent of documentation to be considered in the after value and included in the Comparable Sales Report.

The appraiser must support after values in the same manner as before values. The same criteria for data selection and inclusion apply equally to both situations. If the Sales Comparison Approach is applicable, then market data of similar types of properties located in similar neighborhoods with similar characteristics and property line setbacks shall be secured and analyzed in the same manner as the data used in the before value. If the income producing characteristics of a subject property change, it is necessary to include rental data in the Comparable Sales Report that reflects those characteristics.

Cost data will usually not change dramatically from the before value to after value. However, vacant land sales of different sizes and shapes may be needed for comparison to subjects with characteristics such as reduced size or altered shape.

Some subject properties may be damaged by the acquisition due to cuts, fills, land locking, or proximity. The adjustment for these deficiencies may be supported by paired sales analysis or indication derived from analysis of damaged sales (AG-524).
OVERVIEW

The comparable sales and analyses are a critical part of each appraisal assignment and the appraiser must be thorough in securing and presenting factual data concerning each sale.

The appraiser shall use the following forms in assembling factual data:

- TC 62-20B (residential, commercial, and industrial properties)
- TC 62-20C (rural tracts)
- TC 62-20D (residential and rural tracts)

The appraiser shall include all details pertinent to the appraisal reports, thereby providing support for all conclusions.

All essential data entered on the Comparable Sales forms must be verified to the appraiser by a reliable source. A person with firsthand knowledge shall be considered the most reliable. The accuracy of the entire analysis is dependent upon the sales price and the considerations and conditions included therein.

SALES FORM

TC 62-20D

Form TC 62-20D includes the following components:

- **Sketches** – Sketches of primary buildings must show all measurements used to calculate the square foot area of the principal building.

- **Photographs** – Photographs must be included that identify the sale property’s general characteristics, such as terrain, buildings, and site improvements. The appraiser should take as many photos as needed to adequately depict the property. Identification of photographs is the same as for subject properties (AG-300). Photographs must be identified in the same manner as in the appraisal report.

- **Sales Analysis** – The appraiser shall identify the sale as either typical or not typical for the neighborhood. If a transition of use is occurring such
as transition from single-family residential to business, the trend shall be noted as gradual, rapid, or otherwise.

Neighborhood price range shall reflect the value of properties within the same class as the sale property, such as residential, commercial, or industrial.

The appraiser shall:

♦ Indicate conforming or nonconforming use as of the date of sale. In nonconforming situations, the appraiser shall indicate the type of transition, including if the property is vacant.
♦ Indicate the approximate distance to public facilities such as shopping, schools, city limits, CBD, community, and any other point the appraiser may consider important.
♦ Give particular attention to proximity and grade as these two factors are often elements of damage addressed in the appraisal report.

➢ Building Components – The appraiser must identify each component and assign an applicable rating as observed at time of inspection. Class of the structure must be stated as well as cost source, story height, actual and effective age, and room count. Disparity between actual and effective ages shall be explained under “remarks.”

The appraiser must describe components in such a way as to convey a precise description.

♦ Basement area must be defined as to finished and unfinished, and not included in the gross living area of the residence.
♦ The built-in garage description, if applicable, shall reflect measurements and utility, such as one car and storage, or workshop.
♦ The kitchen description shall reflect built-in appliances and cabinet type.
♦ Electrical description must define the number of amps, such as 60-100 or 150-200. An abbreviated adequacy rating is preferred.
♦ Attic areas may be described as storage area or unusable.
♦ Floors may be described as carpet, carpet/tile, etc. Interior finish shall reflect the type of finish, such as paneled, wall board/painted, or papered.
The HVAC system shall be reflected in the component description. Auxiliary or supplemental heating systems shall be noted under “remarks.”

Bathroom description may include the number of fixtures and wainscot finish.

Fireplace description shall define the number and story height, i.e., such as single or 2 story. Storm windows and doors shall be defined as aluminum, thermo-pane, etc.

On Forms TC 62-20B and TC 62-20C, the appraiser shall give careful attention to providing a specific description of location including postal address (when available) and PVA map number/id, such as “east side of U.S. 10, 2 miles south of KY 1625.”

The sales price and terms of financing shall be confirmed by the buyer, seller, or agent participating in the transaction. These are persons with firsthand knowledge of whether the sales price included any personal property, labor equity, or trade of property, and can make this information known to the appraiser. If the buyer, seller, or agent cannot be contacted, an explanation must be given stating reasons why these parties were unavailable. Any form of creative financing shall be explained in detail, such as owner financing at lower or higher than prevailing rate.

Highest and best use shall reflect the likely and most probable use of the property on the date of sale. Present, pending, or contingent zoning must be defined. The name of the tenant, if applicable, must be listed. Terms must include time period and rental rate.

Improvements since the sale date shall reflect any repairs or additions, beyond normal maintenance. These must not be considered when making adjustments in the Sales Comparison Approach because they are not indicative of the property on the date of sale.

General Data shall be noted as follows:

- Physical characteristics shall be described in detail, such as 15 ft. asphalt street or road, 6 in. concrete curb, or 3 ft. concrete walk.
- Storm sewer may be noted by yes or none.
- Water supply shall be defined as public, well, or cistern.
- Gas service shall be acknowledged as public or propane, as well as on-site, available, or unavailable.
SALES FORMS TC 62-20
B AND C (CONT.)

- Electrical service may be described as typical residential, commercial, or three phase
- Sewage disposal shall be specifically explained (such as, public system or septic).
- Drainage may be described as adequate or unrestricted.

Economic Data must reflect the annual contract rent, less estimated expenses, and include the following:

- Annual Net Income divided by the sales price equals the Overall Cap. Rate.
- Indicated Interest Rate is derived by the computation and subtraction of the recapture rate.
- The Gross Rent Multiplier or Gross Income Multiplier is derived by dividing the sales price by the Annual Contract Rent. Allocation of land and building rent shall be supported by reason and conclusions as interpreted from market actions.
- Remaining economic life, in this particular situation, shall reflect the term the sale property is anticipated to sustain the current rental rate as perceived by the investor.

Special concessions, equipment, and services influencing the transaction shall be acknowledged under “Other Features.”

ALLOCATION & CONTRIBUTING VALUES

Classification of rural acreage may be derived from an aerial photograph, computations from an on-site inspection or from an agency of the Federal Land Management Offices. Erosion potential and productivity of the soil shall guide the appraiser in land assigning classes.

A Land Class Rating system may be employed which shall, for consistency purposes, reflect the U.S. Soil Conservation Service classifications and percentages of contribution of each classification (AG-207).

Classification of excess residential-commercial-industrial property may be described by its use, such as support area for a home-site, buffer area, etc. Allocated values shall reflect an analysis of the market as defined from studies of sales dominated by a particular classification. (See also websollsurvey.sc.egov.usda.gov)
CONTRIBUTION OF SITE IMPROVEMENTS

Typically, site improvements fall into one of two categories:

1. **Essential** site improvements, such as septic system, water supply, etc., may be measured in contribution relative to the cost of installation less applicable depreciation. It is an acceptable premise that site improvement depreciation is relative to the age or condition of the primary structure being served.

2. **Complimentary** site improvements, such as trees, shrubs, flower gardens, etc., shall be allocated in relation to their contribution in the market.
OVERVIEW

The addenda section shall include only that information that is necessary to produce a reliable appraisal report. This can include topographical and other maps showing the project area and the location of the comparable sales used in the report. The addenda section may also be used for background data (articles, studies, research), qualifications, charts, graphs, and other descriptive data. New data must be presented in an addendum form. All exhibits shall be prepared in a careful and professional manner.
OVERVIEW

The Comparable Sales Report is a part of each appraisal. If any of the data is flawed or incompletes the appraisal reports will not be adequately supported.

It is important to develop the sales report and analysis thoroughly to provide adequate support for each appraisal. It shall include detailed justifications to convince the reader that the conclusions reached by the appraiser are both reasonable and credible.

Data derived from the area and neighborhood analyses shall guide the appraiser to an understanding of the market trends from which conclusions may be reached. Interpretations of data relative to time, depreciation, location and a variety of damages must be based on logic and reasoning as the appraiser is always attempting to measure current value based upon historical data. Thus, definition and interpretation of market trends is one of the most important factors in the attempt to estimate fair market value.
It is often necessary to make adjustments for soils, shape, condition, fertility, and topography. In making these adjustments, the appraiser must develop a systematic and accurate approach by which to measure and analyze these differences.

A soil rating technique has been developed based on a similar classification system devised by the Soil Conservation Service (websoilsurvey.sc.egov.usda.gov). The various land conditions are broken down into seven classes. Classes I through IV apply to land suitable for cultivation, while Classes VI through VIII apply to land unsuitable for cultivation. (Class V soil is not found in Kentucky.) The following table gives a brief description of each class and the percentage (%) rating assigned to each class.

<table>
<thead>
<tr>
<th>Class</th>
<th>% Rating</th>
<th>Slope %</th>
<th>Color Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>100%</td>
<td>0–2%</td>
<td>Green</td>
<td>Very little risk of damage or limitation in respect to use. Capable of row crops every year. Generally well-drained, deep fertile soil.</td>
</tr>
<tr>
<td>II</td>
<td>85%</td>
<td>2–6%</td>
<td>Yellow</td>
<td>Moderate risk of damage or limitation in use. Capable of row crops on alternate years, with a close growing crop such as lespedeza in rotation. Requiring some soil management including conservation practices.</td>
</tr>
</tbody>
</table>
### Soil Rating Technique (cont.)

<table>
<thead>
<tr>
<th>Class</th>
<th>Slope (%)</th>
<th>Steepness (%)</th>
<th>Color</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>III</td>
<td>70%</td>
<td>6–12%</td>
<td>Red</td>
<td>Severe risk of damage or limitation in use. A row crop once in 3 or 4 years, with at least 1 year of sod in a 3-year rotation. Such a rotation would be corn-grain meadow.</td>
</tr>
<tr>
<td>IV</td>
<td>55%</td>
<td>12–20%</td>
<td>Blue</td>
<td>Very severe risk of damage or limitation in use. A row crop no more than once in 5 years, with at least 3 years of meadow or pasture.</td>
</tr>
<tr>
<td>V</td>
<td>Class V soil is not found in Kentucky.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VI</td>
<td>35%</td>
<td>20%</td>
<td>Orange</td>
<td>Severe risk of damage. Limited to pasture and meadow crops. Tillage limited to pasture or meadow establishment and renovation.</td>
</tr>
<tr>
<td>VII</td>
<td>20%</td>
<td>Over 30%</td>
<td>Brown</td>
<td>Extreme risk of damage. Limited to forest use. Can produce pasture, using species with very vigorous growth habits, but usually not profitable owing to difficulty of management and maintenance.</td>
</tr>
<tr>
<td>VIII</td>
<td>0%</td>
<td>Severe Slope (bluff or cliff)</td>
<td>Purple</td>
<td>This class consists of cliff or rock ledges. Impossible to maintain, generally considered as wastelands.</td>
</tr>
</tbody>
</table>

**Note:** Woodlands are found primarily on the steeper terrains but could occur in any type of terrain. When woodland is encountered, a class adjustment is affected to recognize the cost of clearing.
To apply and utilize the soil-rating technique, the appraiser assigns a soil-rating factor to each comparable sale and each subject property in the following manner:

Hypothetical Comparable Sale Soil Rating

<table>
<thead>
<tr>
<th>Area</th>
<th>Land Type</th>
<th>Land Class</th>
<th>% Rating</th>
<th>Rating Accumulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>40.0</td>
<td>Tillable</td>
<td>II</td>
<td>85%</td>
<td>34.00</td>
</tr>
<tr>
<td>25.0</td>
<td>Pasture</td>
<td>IV</td>
<td>55%</td>
<td>13.75</td>
</tr>
<tr>
<td>15.0</td>
<td>Woodland</td>
<td>VII</td>
<td>15%</td>
<td>2.25</td>
</tr>
<tr>
<td>2.0</td>
<td>Wasteland</td>
<td>VIII</td>
<td>0%</td>
<td>-0-</td>
</tr>
<tr>
<td>82.0</td>
<td></td>
<td></td>
<td></td>
<td>50.00</td>
</tr>
</tbody>
</table>

Accumulated Rating

\[
\text{Area} = \text{Soil Rating} \\
\frac{50}{82} = .61 \text{ Soil rating for hypothetical example}
\]

Using Soil Ratings in Adjustments

The example below explains how to arrive at a percentage adjustment between a comparable sale and a subject property. Assuming a subject property with a soil rating of 0.65 and a comparable sale with a soil rating of 0.61, the subject property is superior to comparable sale by 6.5% (65-61/61 indicating 6.56%) for those conditions considered under the soil rating technique. This percentage is used to determine the dollar amount per acre for necessary unit adjustment.

In reverse ratings, sale being 65%/subject 61%, then the adjustment is a minus 6.15% (61-65/65 indicating -6.15%).

Percentage land class rating may also be developed for the specific project from sales being used on the project. The following example is one suggested method for determining a factor for each land class. Each sale should be adjusted for time to a common date, and a unit value for each class of land allocated.
Example

<table>
<thead>
<tr>
<th>Sale No.</th>
<th>Area</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
<th>VI</th>
<th>VII</th>
<th>VIII</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$180</td>
<td>$600</td>
<td>$400</td>
<td>$250</td>
<td>$200</td>
<td>$120</td>
<td>$90</td>
<td>$60</td>
<td>$5</td>
</tr>
<tr>
<td>2</td>
<td>165</td>
<td>280</td>
<td>325</td>
<td>190</td>
<td>175</td>
<td>0</td>
<td>75</td>
<td>40</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>200</td>
<td>725</td>
<td>550</td>
<td>340</td>
<td>270</td>
<td>0</td>
<td>100</td>
<td>70</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>225</td>
<td>500</td>
<td>400</td>
<td>0</td>
<td>250</td>
<td>150</td>
<td>0</td>
<td>50</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>140</td>
<td>700</td>
<td>600</td>
<td>425</td>
<td>300</td>
<td>0</td>
<td>125</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>135</td>
<td>550</td>
<td>375</td>
<td>300</td>
<td>225</td>
<td>0</td>
<td>0</td>
<td>60</td>
<td>5</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td>$1045</td>
<td>$3555</td>
<td>$2650</td>
<td>$1505</td>
<td>$1420</td>
<td>$270</td>
<td>$390</td>
<td>$280</td>
</tr>
<tr>
<td><strong>Averages</strong></td>
<td></td>
<td>$174</td>
<td>$593</td>
<td>$442</td>
<td>$301</td>
<td>$237</td>
<td>$135</td>
<td>$98</td>
<td>$56</td>
</tr>
</tbody>
</table>

The following method computes the ratio of the contributing value for each land class, based on the average unit value.

**Procedure**

- **Class I** is 100% land use = 1.00 use 1.00
- **Class II or $442/ac** = 0.75 use 0.75
  - **Class I or $593/ac**
- **Class III or $301/ac** = 0.50 use 0.50
  - **Class I or $593/ac**
- **Class IV or $237/ac** = 0.40 use 0.40
  - **Class I or $593/ac**

To derive the rating factors, each of the other classes would be divided by the Class I average per acre unit value. These factors would then be used on each sale and each subject to derive the composite factor shown on line (12), Sheet 8/14 of Appraisal Form TC 62-20.
Adjustments are often derived and applied in a confusing and inconsistent manner. This section clarifies and explains adjustments, primarily when using the Sales Comparison approach. Elements of this discussion may also be pertinent to parts of the Cost (depreciation adjustments) and Income (economic rent adjustments) Approaches.

**ADJUSTMENTS SEQUENCE**

The Division prefers that adjustments be made in dollar amounts, either lump sum or unit values. There are situations when this is not practical and percentage adjustments are necessary. Appraisers shall make all adjustments in the following sequence:

1. **Financing.** Adjustment for atypical financing, often involving a cash equivalency

2. **Time/Market Conditions.** Adjustment for inflationary or deflationary pressures occurring between the sale and appraisal date

3. **Location.** Adjustment for differences between the location of the sale and subject

4. **Physical Qualities.** Adjustment for physical differences between the sale and subject, such as:
   a. Land
   b. Improvements or Buildings
   c. Site Improvements

Some of the headings and subheadings above may have several component adjustments. For instance, “Land” may include adjustments for topography, accessibility, soil type, or size. The appraiser shall make and explain each of the component adjustments in the space under the sales grid, as well as enter the total adjustment for that heading as a dollar amount in the grid.
Appraisers may derive percentage adjustments using one of the two methods shown below, depending upon their intended application.

Assume:

Sale A: $36,000 (excellent condition)
Sale B: $28,500 (poor condition)

➤ **METHOD I:**

A divided by B – 1 = %

(The difference between A and B as a percentage of B. Derived to adjust inferior sale to superior subject.)

\[
\frac{36,000}{28,500} - 1 = 26.3\%
\]

**APPLICATION:**

Assume:

Sale C: $27,750 (poor condition)
Subject: ? (excellent condition)

\[
(.263 + 1) \times 27,750 - 27,750 = +$7,298 \text{ adjustment}
\]

➤ **METHOD II:**

A-B divided by A = %

(The percentage by which A is greater than B. Derived to adjust a superior sale to inferior subject.)

\[
\frac{36,000-28,500}{36,000} = 20.8\%
\]

**APPLICATION:**

Assume:

Sale D: $35,500 (excellent condition)
Subject: ? (poor condition)

\[
.208 \times 35,500 = -$7,384 \text{ adjustment}
\]

Adjustments must be applied in the same manner in which they were derived. For instance, it is in error to assume in Method II above that 20.8% could be used to adjust a sale in poor condition to a subject in excellent condition, such as:

Sale $27,750 x 1.208 - $27,750 = +$5,772.

The application is not consistent with its derivation.
When the appraiser does not derive percentage adjustments but bases them upon the his or her best judgment, it is important to establish the relationship between the sale and subject as it relates to the known value of the sale. A sale will either be superior or inferior to a subject in certain aspects. The percentage adjustment will not directly correspond to the value of superiority or inferiority.

For instance, assume Sale 1 is said to be 10% superior to subject and sold for $40,000.

The minus adjustment applied to the sale is 9.1%.

\[ 40,000 \times 0.091 = -3,640. \]

The adjustment is not -$4,000.

Assume that Sale 1 is 10% inferior to the subject and sold for $40,000. The plus adjustment applied to the sale is 11.11%.

\[ 40,000 \times 0.1111 = +4,444. \]

The adjustment is not +$4,000.

Adjustment Tables I and II are on the following pages. The purpose of these tables is to furnish a quick reference to the correct percentage adjustment made after the relationship between a comparable sale and a subject property has been established.

- **Table I** may be used when the sale is superior to the subject in a given respect.

  An example: Elm Street is a 100 percent location, and Spruce Street is an 80 percent location. The sale is on Elm Street and the subject is on Spruce Street. The sale is 25% superior to subject and was at $900 per front foot.

  The correct adjustment would be -20% of $900, or $180, indicating $720 per front foot for subject.

- **Table II** may be used when the sale is inferior to the subject.

  An example: Sale is on Spruce Street – subject on Elm Street. The sale is 20% inferior and was at $720 per front foot.

  The correct adjustment would be plus 25% of $720, or $180, indicating $900 per front foot for subject.
## TABLE I

<table>
<thead>
<tr>
<th>Superiority of Sale over Subject</th>
<th>Minus Adjustment Applied to Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%</td>
<td>0.99%</td>
</tr>
<tr>
<td>2%</td>
<td>1.96%</td>
</tr>
<tr>
<td>3%</td>
<td>2.91%</td>
</tr>
<tr>
<td>4%</td>
<td>3.85%</td>
</tr>
<tr>
<td>5%</td>
<td>4.76%</td>
</tr>
<tr>
<td>6%</td>
<td>5.66%</td>
</tr>
<tr>
<td>7%</td>
<td>6.54%</td>
</tr>
<tr>
<td>8%</td>
<td>7.41%</td>
</tr>
<tr>
<td>9%</td>
<td>8.26%</td>
</tr>
<tr>
<td>10%</td>
<td>9.10%</td>
</tr>
<tr>
<td>11%</td>
<td>9.91%</td>
</tr>
<tr>
<td>12%</td>
<td>10.71%</td>
</tr>
<tr>
<td>13%</td>
<td>11.50%</td>
</tr>
<tr>
<td>14%</td>
<td>12.28%</td>
</tr>
<tr>
<td>15%</td>
<td>13.04%</td>
</tr>
<tr>
<td>16%</td>
<td>13.79%</td>
</tr>
<tr>
<td>17%</td>
<td>14.53%</td>
</tr>
<tr>
<td>18%</td>
<td>15.25%</td>
</tr>
<tr>
<td>19%</td>
<td>15.97%</td>
</tr>
<tr>
<td>20%</td>
<td>16.67%</td>
</tr>
<tr>
<td>21%</td>
<td>17.36%</td>
</tr>
<tr>
<td>22%</td>
<td>18.03%</td>
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<tr>
<td>23%</td>
<td>18.70%</td>
</tr>
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<td>24%</td>
<td>19.35%</td>
</tr>
<tr>
<td>25%</td>
<td>20.00%</td>
</tr>
<tr>
<td>26%</td>
<td>20.63%</td>
</tr>
<tr>
<td>27%</td>
<td>21.26%</td>
</tr>
<tr>
<td>28%</td>
<td>21.87%</td>
</tr>
<tr>
<td>29%</td>
<td>22.48%</td>
</tr>
<tr>
<td>30%</td>
<td>23.08%</td>
</tr>
<tr>
<td>31%</td>
<td>23.66%</td>
</tr>
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<td>32%</td>
<td>24.24%</td>
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<td>33%</td>
<td>24.81%</td>
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<td>36%</td>
<td>26.47%</td>
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<tr>
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</tr>
<tr>
<td>38%</td>
<td>27.54%</td>
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<td>39%</td>
<td>28.06%</td>
</tr>
<tr>
<td>40%</td>
<td>28.57%</td>
</tr>
<tr>
<td>41%</td>
<td>29.08%</td>
</tr>
<tr>
<td>42%</td>
<td>29.58%</td>
</tr>
<tr>
<td>43%</td>
<td>30.07%</td>
</tr>
<tr>
<td>44%</td>
<td>30.56%</td>
</tr>
<tr>
<td>45%</td>
<td>31.04%</td>
</tr>
<tr>
<td>46%</td>
<td>31.51%</td>
</tr>
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<td>47%</td>
<td>31.97%</td>
</tr>
<tr>
<td>48%</td>
<td>32.43%</td>
</tr>
<tr>
<td>49%</td>
<td>32.89%</td>
</tr>
<tr>
<td>50%</td>
<td>33.33%</td>
</tr>
</tbody>
</table>
## ADJUSTMENT TABLES (CONT.)

### TABLE II

<table>
<thead>
<tr>
<th>Inferiority of Sale to Subject</th>
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TC 62-20 is designed to allow the appraiser to exhibit a true picture of any appraisal problem encountered on a highway project. The appraiser shall present a clear and concise picture of the problem and properly support all conclusions. The appraiser shall always remember that the appraisal report has a purpose and usefulness beyond simply estimating compensation.

TC 62-20 consists of 16 sheets, of which 5 may be used interchangeably for before and after valuation. The appraiser shall use those sheets that are necessary to explain and support all conclusions. Any significant deviation from the format required in the Project Report must receive prior approval from the Review Appraiser. The appraiser is not confined to the spaces provided for explanation and may add as many continuation sheets as needed to adequately address the appraisal problem. The appraiser may omit any sheets that do not pertain to a particular appraisal problem.
ITEM 1  The “Purpose of the Appraisal” is pre-printed and requires no user input.

ITEM 2  The County, project number, and project description will be self-populated. The Appraiser must input the owner name, address, and contact number. The property address may/may not be the same as the owner’s address. The Appraiser shall enter the name of the person contacted, date contacted and contact type. The contact type may include, but is not limited to, parties such as the owner, attorney, relative, or business advisor.

ITEM 3  Under “Value Considerations,” the appraiser shall include:

   (a) before value
   (b) after value
   (c) differences
   (d) temporary easements
   (e) total of (c), (d) and (e)

Total compensation is the same as (e) or a rounded amount.

The “Areas Acquired” must show acres or square feet, as well as the type of deed taken, such as fee simple, P.E., or T.E.

ITEM 4  The appraiser shall list all limiting conditions in item 4. Some limiting conditions of general nature are included in the Appraiser’s Certification of Comparable Sales Data. Analysis, conclusions, and opinions are shown on form TC 62-22 and shall be included in the “Comparable Sales Report.”

ITEM 4  The appraiser must fill in all blanks under “Certificate of Appraiser.” The evaluation date is the same as the most recent date of inspection. The period from the date of valuation to the date the appraisal report is signed and submitted shall not exceed 30 days.
IDENTIFICATION

The appraiser must include the parcel and item numbers in the top, right-hand corner of Sheet 2.

ITEM 1

A five-year sales record is required for every subject property and shall include the grantor, grantee, date, consideration deed book and page number, and verification. The appraiser shall list the current assessed value, specific zoning type, and present use of the subject property. The estimate of Highest and Best Use shall be stated with specific reasons for the conclusion.

If the subject property is rented or leased, the lessee’s name and address shall be shown. A copy of the lease shall be included when possible or, at a minimum, the following terms of the lease shall be listed:

- Date of lease
- Lease terms
- Amount of rent
- Responsibility for taxes, insurance, maintenance, utilities, and other covenants
- Options to renew, date of notice, term in years, rent, etc.
- Lessee improvements and possible removal/ownership of said improvements at expiration of lease
- Condemnation clauses

ITEM 2

Location and Neighborhood. Give a brief description of the general location of the subject parcel. Include only items that have not been discussed previously in the neighborhood analysis of the comparable sales book.

ITEM 3

Land and Site Improvements. The appraiser shall list and describe the land and site improvements of the subject parcel in sufficient detail to allow an accurate accounting of the various components.
ITEM 4  **Physical Characteristics.** The appraiser shall accurately list the type or absence of each item.

ITEM 5  **Buildings.** The appraiser shall furnish a detailed description of the various components of the principal building(s) and their respective conditions.

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ITEM 1  **Photographs.** The appraiser shall take photographs of all buildings at a range close enough to show the type and condition of each structure.

The appraiser is encouraged to take an ample number of photographs showing all significant property features and any potentially controversial items. Photographs must show front, back, and side exterior, as well as interior, views of buildings in the acquisition area. Photographs clearly depicting the acquisition area(s) are required. The appraiser shall clearly number the photographs so that their position and direction can be indicated on the property sketch.

ITEM 2  **Property Sketch.** The sketch shall contain sufficient detail to provide the reader a meaningful visual of the appraisal problem.

Inclusion of the following is mandatory:

- frontage dimensions
- proposed location(s) of items associated with the cost-based functional curable obsolescence
- numbered photo direction indicators
- north arrow

The entire property boundary shall be delineated and all significant property features shown. Any ground lease lines shall be incorporated into the property sketch. Copies of the plan sheets shall not be substituted for property sketches.

Space is provided to show the total area of the tract, area acquired, and area of the severance left and/or right. The appraiser shall show the proximity of the right of way and travel way to the principle buildings and grade along the frontage in both the before and after situations.

**Note:** The format for this information is duplicated on Comparable Sales Form TC 62-20D. This will allow the direct comparison of sales having similar characteristics to the subject property regarding proximity and grade.
SKETCHES OF BUILDING

Sketches must include a detailed floor plan if a building is acquired. Portions of buildings that differ in construction class or design shall be delineated. Significant floor plan features shall be shown with dimensions included, such as finished office in warehouse. Leased areas in multi-tenant buildings shall be shown in the sketch, as well as areas by each lessee, and detailed in the “Remarks” section.
ITEM 1  
**Land Value Justification.** This is a grid for developing the market value of land using the Cost Approach. The appraiser shall use vacant land sales.

- (1) and (2) – Highest and Best Use and land size must be included for every sale.
- (3) and (4) – Appraiser shall enter the sale date and sales price, when applicable.
- (5) – **Time factor,** not a percentage. If no time increase is present, the factor shall be 1.00.
- (6) – Multiply the sales price by the time factor.
- (7) – Unit of comparison may be based on a per acre, front foot, or square foot basis, as appropriate.
- (8) – Factor(s) requiring adjustment. All adjustments are to be made +/- in dollar amount for the unit of comparison being applied. The contributing value of any potential site improvements shall not be included in the unit value of the sale. Appraisers must explain variations to any sale in the Adjustment Remarks.
- (9) – Net adjustment for each comparable sale derived by adding all the adjustment factors in number (8).
- (10) – Indicated value of the subject per unit, calculated by adding numbers (8) and (9).

ITEM 2  
**Site Improvements.** Appraisers shall list all Special Land Improvements, quantity or area, unit cost, replacement cost new, and any depreciation in the grid, along with any contributing value to the property as a whole.

ITEM 3  
**Total Site Improvements.** This item is the total contributing value of all site improvements. Space is provided for an explanation of depreciation or contributing values.

ITEM 4  
**Total Land and Site Improvements.** This is the combined total of land and site improvements.

ITEM 5  
**Depreciated Cost of Buildings.** This item is the total depreciated replacement cost of all buildings as shown on Sheet 6, Item 15.
| ITEM 6 | Indicated Value by Cost Approach Before the Acquisition. This is the total of Item 4 and Item 5. |
| ITEM 7 | Use Value. The appraiser may use this area to establish any necessary rounding. |
A detailed cost analysis is required for all improvements when the cost approach is applicable. The source of cost data must be identified along with the page number from which the base unit cost is derived and the date of issue.

**ITEM 1**  
**Principal Building.** The appraiser shall include the name of the principal building under consideration, as well as the applicable class number or letter as shown in the source of cost data. Each principal building requires a separate cost analysis.

**ITEM 2**  
**Story Height.** The story height, level number, number of rooms per level, and total square footage per level must be included.

**ITEM 3**  
**Estimated Age.** The actual age of improvements shall be used when known. The effective age, which is the appraiser’s judgement, may be used if actual age cannot be ascertained. The observed condition shall be indicated as, “poor,” “fair,” “good,” or “excellent.” This opinion shall be consistent with the estimated effective age. The appraiser shall list the type of construction, such as brick veneer, frame, solid masonry. The base unit cost shall be carried forward to Item 4.

**ITEM 4**  
**Base Cost.** The base cost is obtained by multiplying the total square footage by the base unit cost per square foot. The base unit cost per square foot is derived from the cost source and page number shown. If portions of the building carry different base unit costs, the appraiser shall show each base unit cost and carry forward. If the building is arranged so that a different base unit cost would be applicable to certain portions, then the total square footage of each portion shall be multiplied by the appropriate base unit cost. The appraiser shall indicate the combined total of each portion.

**ITEM 5**  
**Variations from base cost.** All sources of cost data have certain basic components of a building included in their base unit price. The appraiser must adjust for differences in the components of the subject property and the class shown in the cost source used by adding to or subtracting from the base cost.
ITEM 5 (CONT.)

Items not included in the base cost and not shown in the source of cost data may be determined on the local level and either added or subtracted at this point, as needed.

ITEM 6

Net variations (plus or minus). This is the difference between the total plus variations and total minus variations.

ITEM 7

Cost of Principal Building. This is the base cost plus or minus the net variations.

ITEM 8

Applicable Multipliers. Most cost sources have certain multipliers such as story height, area and space, perimeter, number of rooms, or local. The appraiser shall show all relevant multipliers, as well as develop a composite that includes page number and date of issue.

ITEM 9

Cost New. The appraiser obtains the cost new by multiplying the composite multiplier by the cost of the principal building (Item 7).

ITEM 10

Depreciation. The appraiser shall list any physical, functional or external depreciation as a percentage and convert the total percentage into a direct unit by multiplying the cost new by the total percentage of depreciation. The total depreciation shall be consistent with the difference between the estimated age, effective age, and the condition and description shown on Sheet 2, Item 5.

ITEM 11

Depreciated Cost of Principal Building. The appraiser obtains the depreciated cost of principal building by subtracting Item 10 from Item 9.

ITEM 12

Accessory Building. This grid reflects all accessory buildings. Once the depreciated costs are determined, the appraiser shall explain those costs in the “Remarks” section, which must be consistent with the descriptions shown on Sheet 2, Item 5 of the appraisal report. The building number must match the number assigned on the building sketch sheet.

ITEM 13

Depreciated Cost of all Buildings. The depreciated cost of all buildings is the sum total of Item 11 and Item 12. When the total depreciation can be supported by the market, a lump sum adjustment may be included provided that each type of depreciation is explained in the “Remarks” section. When the market data is not available for special purpose properties and the cost approach is used to support the value estimate, the appraiser shall include and explain each type of depreciation. This conclusion shall completely support the condition rating listed on Sheet (2).
Appraisers must use the Income Approach on all income producing properties when it is possible to secure sufficient income and operating data to develop economic rent and typical operating expense for the subject property. Basing this approach on a typical operation, not necessarily the existing one, eliminates the measurement of either exceptional or bad management and assumes a typical, knowledgeable management.

While many things can incorrectly influence this approach, the two main errors occur with estimating the economic rent and the capitalization rate. To avoid error, the appraiser may estimate economic rent by using comparable leased properties and the capitalization rate by using current demands in the market.

**ITEM 1**

**Rent Comparisons.** The appraiser shall use comparable leases or rentals to justify the economic rent, showing comparisons in the grid.

**ITEM 2**

**Indicated Economic Rent.** The appraiser shall use this space to correlate the rental comparisons into an indicated economic rent for the subject property, as well as discussion of the operating statement developed under Item 3.

**ITEM 3**

**Operating Statement.** The first item reflects the gross annual income of the subject property, which is the gross annual economic rent. The next item shall show the vacancy and collection losses, which the appraiser shall check carefully to determine the extent they are present in the market. The effective gross income is derived by subtracting the vacancy and collection losses from the gross annual income.

The operating expense of the property consists of three parts:

- Fixed expenses
- Operating expenses
- Reserves for replacement
ITEM 3 (CONT.) The appraiser shall show the relationship of the total expenses as a percentage of effective gross income, in addition to the dollar amount. The net operating income is derived by subtracting the total expense from the effective gross income.

ITEM 4 Valuation – Several different techniques may be used to capitalize the net income such as building, land, and property residual techniques; discounted cash flow; or mortgage/equity analyses. While no specific method is requested, instructions provided on Sheet 7 under item 4 require the appraiser to use an appropriate capitalization method based on the appraiser’s analysis of market data related to the particular type of property being appraised. Copies of the leases on the subject property shall be attached. If none can be secured, then the terms and conditions of the lease shall be stated.
INSTRUCTIONS FOR
APPRaisal FORM TC 62-20

Subject
Sheets 8 & 14 – Sales Comparison Approach

Chapter

APPRAISAL GUIDELINES

GENERAL

The appraiser shall show the comparable sales and the factors of adjustment in the grid at the top of the sheet. In the space provided, the appraiser shall explain all adjustments to comparable sales and final correlation of value.

ITEM 1

Highest and Best Use. The highest and best use of the subject, as well as each sale, shall be shown and must agree with the data included with the comparable sales report.

ITEM 2

Lot Size. Indicate the lot size.

ITEM 3

Total Area. This is the total area of the principal building of the subject and comparable properties. The subject information shall match the data on Sheet 2. The comparable information shall match the comparable sale forms.

ITEM 4

Date of Sale. The appraiser shall enter the exact date of sale.

ITEM 5

Total Sales Price. This is the total sales price including land, site improvements, and buildings.

ITEM 6

Multiplier. This is the factor that is to be multiplied against the sales price to account for any change in values arising from general economic conditions from the date of the sale to the date of the appraisal.

Note: If no time increase is present, the factor shall be 1.00.

ITEM 7

Adjusted Sales Price. This item is the result of the sales price multiplied by the time factor.

ITEM 8

Contributing Value. The appraiser shall state his or her opinion of the contributing value of all buildings. The value shown shall be consistent with the allocated value shown in the comparable sales report multiplied by the time factor as indicated in Item 6.
ITEM 9  **Total Improvements.** This is the total of the sales’ site improvements as allocated on the sales form (TC 62-20B or 20C), multiplied by the time factor under Item 6.

ITEM 10  **Adjusted Contribution.** The appraiser shall enter the land contribution after adjustment for time, which is derived by subtracting the value of the building and site improvements from the adjusted sales price. This amount shall be consistent with the total land value listed for the comparable in the sales report.

ITEM 11  **Adjustment Base.** This is the unit of comparison to be used for adjusting factors of dissimilarity between sale and the subject. This will be the adjusted sales price shown in Item 7. When the site improvements contribute little to no value, it may be appropriate to use the adjusted sales price converted to dollar per square foot \( (\$PSF) \) of land as the unit value that would include land and building. To allow flexibility in developing the sales approach, a consideration to use a unit of comparison for the total building area maybe appropriate in some instances. The unit of comparison would be a \( (\$PSF) \) of total building area and expressed as \( \frac{(\$PSF) - \text{item 7/item 3}}{} \).

ITEM 12  **Rating Factor.** This item is for the land class rating factor applicable for farm land. The appraiser must thoroughly explain the method used to obtain this factor in the comparable sales report, and it must be consistent in application to both the comparable sales and the subject parcel. The appraiser shall also identify various classes of land on the comparable sales and the subject parcel in such a way that the factor accounts for any topographical and quality differences.

ITEM 13  **Adjustment Factors.** The appraiser is to show the factors of dissimilarity between the sale and the subject property using the sub-headings “a,” “b,” “c,” “d,” etc. The adjustments will be shown as +/- in dollar amounts consistent with the adjustment base determined by the appraiser under Item 12.

ITEM 14  **Net Adjustment.** This is the net difference (+/-) of the individual adjustment factors.

ITEM 15  **Total Indicated Value.** The appraiser derives the total indicated value by adding or subtracting the net adjustments from Item 11.

ITEM 16  **Explanation of Adjustments.** If adjustments are made for factors such as location, size, shape, or topography, the appraiser shall provide support and explanation for each adjustment by comparative analysis of sales with the various differences.
ITEM 16 (CONT.)  This may be accomplished by chart, graph, table, or narrative so long as the amount of adjustment is adequately explained. When the difference between the sale and the subject is not substantial, a lump sum adjustment is acceptable if it is reasonably explained.

Item 17  

Explanation of Value Used. Explanation of value used shall reflect the correlation of the total indicated values as derived from the comparables used. The appraiser shall include sufficient explanation to justify value conclusions.

ITEM 18  

Indicated Value by the Sales Comparison Approach. This is the value conclusion reached under Item 17.
GENERAL

The appraiser shall use this sheet to summarize the approaches used to value, final correlation, and breakdown of the estimated market value of the entire property.

ITEM 1

Final Correlation. The appraiser uses this item to reflect the final correlation of the approaches used to support the value conclusion and to state reasons for any approaches not used. If market data is not available in the project area, the appraiser may use available data from an area similar to the subject. If data is not available in an alternative area, the appraiser shall document the extent of his or her search.

ITEM 2

Reasonable Allocation. The appraiser must allocate the estimate of total market value derived in Item 1, and shall enter the following items in this area:

- Land classifications and areas
- Site improvements and quantities
- Buildings
- Building numbers
- Building types
- Building classes

Land classes, site improvements, and buildings shall be listed in the same manner as they are on Sheet 2.

The appraisal must reflect the value allocated to each item by adding each land component, site improvement, and building to calculate the total for each group. The allocation of contributing values will be similar to the component values as adjusted in the sales comparison grids.

Some appraisals may have significant differences between the total land value as allocated under this heading and the total land value as established in the cost approach.
ITEM 2 (CONT.)  A sizeable variation might indicate a failure on the part of the appraiser to properly correlate the unit value of vacant land sales used in the cost approach, or inconsistent analysis and allocation of land values in the comparable sales.

If this difference is large, the appraiser shall correct the inconsistency or provide a reasonable explanation for the discrepancy. The total value of the entire property is calculated by adding the totals of the land, site improvements, and buildings. The amount must match Item 1 (e).
The appraiser shall use **Sheet 10** to describe the acquisition and analyze its effect on the remainder. The instructions for Items 1, 2, and 3 must be followed carefully to provide the reader a clear picture of the conditions that exist as a result of the acquisition. The appraiser shall discuss all factors that result in a loss in value or enhancement to the subject property. The appraiser shall give particular attention to utility items, such as water lines, gas lines, power lines, and sanitation facilities.

**ITEM 1**

**Narrative Description of the Taking.** This narrative shall clearly show how the proposed acquisition is affecting the subject property. The narrative shall include descriptions of the following:

- Direction of the acquisition
- Land area acquired (type, class, area),
- Cuts
- Fills
- Fencing acquired
- Other site improvements acquired
- Buildings acquired
- Proximity of the right of way to buildings
- Acquisition of any utility items (water lines, gas lines, cable television, sanitations facilities)

**ITEM 2**

**Narrative Description of the Remainder(s).** The appraiser shall describe each remainder separately, including the classes or types of the remaining land and the area of each. The neighborhood analysis shall include the economic position of the remainder as it relates to the following:

- Highway
- Street frontage
- Adjoining roads
- Distance to shopping and related areas
- Cross roads
- Schools
- Churches
- Public Transportation.
ITEM 2 (CONT.) The appraiser must provide a highest and best analysis consistent with the narrative. The appraiser must indicate whether the remainder shall be considered one economic unit or more than one when two or more reminders exist.

The appraiser shall approach the description of the remainder as if it is a new or different property than the one that existed in the before situation. The appraiser shall never reference the subject property in terms of its description before the acquisition.

In establishing an after value, the appraiser must consider the property as it will exist after the proposed project has been completed. The remainder is no longer part of the original property. It is a completely different property with altered characteristics than before.

ITEM 3 Narrative Discussion of Anticipated Damages and/or Special Benefits. The appraiser shall discuss the factors referred to under Items 1 and 2 that result in a loss of value to the remainders, such as proximity, changes in highest and best use, grade changes, and loss of utility. If the remainder accrues special benefits because of the acquisition, the appraiser must state how and why.
GENERAL

The appraiser uses Sheet 15 for summarizing the approaches used to value, final correlation, and breakdown of the estimated market value of the entire property.

ITEM 1

Final Correlation. This item reflects the final correlation of the approaches used to support the value conclusion and to state reasons for any approaches not used. If market data is not available in the project area, the appraiser may use available data from an area similar to the subject. If data is not available in an alternative area, the appraiser shall document the extent of their search.

ITEM 2

Reasonable Allocation. The appraiser shall allocate the estimate of total market value derived in Item 1. The following items shall be entered in this area:

- Land Classifications and areas
- Site improvements and quantities
- Buildings
- Building numbers
- Building types
- Building classes

Land classes, site improvements, and buildings shall be listed in the same manner as they are on Sheet 2. The appraiser shall include the value allocated to each item by adding each land component, site improvement, and building to calculate the total for each group. The allocation of contributing values is similar to the component values as adjusted in the sales comparison grids.

Some appraisals may have significant differences between the total land value as allocated under this heading and the total land value as established in the cost approach. A sizeable variation might indicate a failure on the part of the appraiser to properly correlate the unit value of vacant land sales used in the cost approach, or inconsistent analysis and allocation of land values in the comparable sales.
**ITEM 2 (CONT.)**  If this difference is large, the appraiser shall correct the inconsistency or provide a reasonable explanation for the discrepancy. The total value of the entire property is calculated by adding the totals of the land, site improvements, and buildings. The amount must match Item 1 (e).

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![Image](image-url)
The purpose of Sheet 16 is to summarize the value conclusions found in the appraisal report.

**ITEM 1**  **Before Value.** The appraiser shall enter the before value of the entire property from Sheet 9, Item 1(e).

**ITEM 2**  **After Value.** The appraiser shall enter the after value of the entire property from Sheet 15, Item 1(e).

**Note:** This amount shall not reflect any loss in value due to non-compensable items.

**ITEM 3**  **Total Value.** The appraiser shall enter the difference between Items 1 and 2. The valuation process is complete with the exception of establishing the value of any temporary easements.

**Item 4**  **Contributing Value of Land Acquired.** The appraiser shall enter his or her opinion of the contributing value of land acquired as a part of the whole property before the acquisition as shown on Sheet 9, Item 3. Each column must be filled in as applicable.

**Item 5**  **Contributing Value of Site Improvements.** The appraiser shall enter his or her opinion of the contributing value of all site improvements acquired as a part of the whole property before the acquisition as shown on Sheet 9, Item 3. Each column must be filled in as applicable.

**Item 6**  **Contributing Value of Buildings Acquired.** The appraiser shall enter his or her opinion of the contributing value of all buildings acquired as a part of the whole property before the acquisition as shown on Sheet 9, Item 3. Each column must be filled in as applicable.
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<thead>
<tr>
<th>Item</th>
<th>Description</th>
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<tr>
<td><strong>Item 7</strong></td>
<td>Contributing Value of Acquisition. The appraiser shall enter the estimated contributing value of the acquisition as determined by adding Items 4, 5, and 6.</td>
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<tr>
<td><strong>Item 8</strong></td>
<td>Damage Caused By Acquisition. The appraiser shall identify the amount of damage caused by the acquisition and calculate the amount by subtracting Item 7 from Item 3. &lt;br&gt;<strong>Note:</strong> If Item 7 is greater than Item 3, an enhancement is present and the instructions under Item 11 shall be followed.</td>
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<td><strong>Item 9</strong></td>
<td>Rental Value of Temporary Easements. The appraiser shall calculate the rental value by multiplying the area of the temporary easement by the land unit value as found in the after value appraisal. That number is then multiplied by the percentage of return for land rentals. If the length of time exceeds one year, the percentage will be increased to allow for the time.</td>
</tr>
<tr>
<td><strong>Item 10</strong></td>
<td>Estimated Just Compensation. The appraiser shall estimate just compensation due to the property owner by adding Item 3 and Item 9.</td>
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<tr>
<td><strong>Item 11</strong></td>
<td>Enhancement. When Item 2 is greater than Item 1, or Item 7 is greater than Item 3, the property has been enhanced by the taking. The appraiser shall calculate the total amount of enhancement as follows:  &lt;br&gt;(Item 2 less Item 1 – not less than “0”) – (Item 7 less Item 3) =  &lt;br&gt;<strong>Note:</strong> The appraiser shall discuss these items in the narrative on <strong>Sheet 10</strong>, Item 3.</td>
</tr>
</tbody>
</table>
PURPOSE

The purpose of the information in this section is to aid and direct the review appraiser on properly and adequately reviewing appraisal reports in a consistent manner.

REVIEW APPRAISERS

Review appraisers must maintain an unbiased approach with flexibility of thought to properly and consistently provide a reliable standard of professionalism. Ethical conduct is essential to achieving an impersonal analysis based on supported opinions.

The review appraiser shall use the following criteria when evaluating acceptability of all appraisal reports:

- Form, quality, accuracy, and adequacy of data
- Choice of approaches
- Properly developed techniques
- Adequacy of analysis
- Correlation of information
- Reconciliation of conflicting or contradictory information

The primary responsibility of the review appraiser is submission of the final estimate of compensation to the Appraisal Branch Manager for approval. Before submission, the review appraiser shall be satisfied that the report constitutes an accurate portrayal of the property appraised and that all major value factors have been considered.

CONSIDERATIONS

The review shall follow a logical and orderly sequence of actions to produce a report with a reliable value conclusion. Sufficient time shall be allowed for site inspections, data analysis, discussion with the appraiser, and consideration of relevant information.

The following is a partial list of auxiliary information that may be considered:

- Title facts
- Official plans (property maps, plan and profile, typical sections, cross sections, etc.)
CONSIDERATIONS (cont.)

- Aerial photographs
- Project report
- Leases
- U.S.G.S. Maps
- A.S.C.S. Maps

The review procedures detailed in this chapter are applicable to the majority of properties regardless of use.
PROCEDURE 1

The review appraiser shall:

- Check contents to determine that all data is included to meet the current requirements.

- Check all mathematical computations. The current right of way management system automatically calculates many of the mathematical computations in the appraisal reports. Nonetheless, the appraiser is required to confirm the accuracy of all computations.

- Determine the significance of any errors. The appraiser shall be notified of any significant errors that will affect the value conclusions in the report, and shall make all necessary corrections to the comparable sales report and the appraisal.

- Study the narrative portions in order to understand the basis of adjustments.
The review appraiser shall:

- Confirm factual data found in public records. (sales date, deed book and page number, grantor, grantee, location, size, etc.)

- Confirm comparable leases and rentals, if recorded.

- Be satisfied that the recorded data contained within the sales book is accurate.
PROCEDURE 3

The review appraiser shall:

- Make a visual inspection of all sales except for those that are too remote or impractical to visit. Sales not used may be better comparables than those selected by the appraiser.

- Confirm the following information with a knowledgeable person: sales date, sales price, grantor, grantee, and condition of the most frequently used sales. Were items of personal property and/or fixtures included in the sales price? Did the price include more than one tract? Was excessive motivation present? Confirmation of all sales data shall be to the extent of the review appraiser’s satisfaction.

- Check the breakdown of the component parts of the sale as analyzed by the appraiser (improvements, land classification, site improvements, and allocation). Any reasonable doubt concerning the adequacy or accuracy of the information shall be resolved to the reviewer’s satisfaction.

- Determine which sales are keyed to important value factors (time, location, topography, size, etc.). These sales shall be confirmed and inspected to the review appraiser’s satisfaction. Special effort shall be made to determine whether the appraiser’s analyses are logical and reasonable.

- Check the consistency of the appraiser’s analyses. If reasons for major deviations are not apparent, additional information shall be required from the appraiser.

- Verify the accuracy of data used. Appraisal reports are a direct reflection of the data contained within the comparable sales. Erroneous, inaccurate, or distorted data will cause the appraisal reports to suffer as a result.
PROCEDURE 4

Review appraisers are responsible for determining when a contract appraiser is eligible to receive increment payments; therefore, they shall:

- Verify that the parcels received match those on the invoice.
- Check the number of appraisal reports for contract compliance.
- Check the type of report received against the type specified in the contract.
- Check for extra photographs for improvement records.
- Check all mathematical computations on the invoice.
- Inform the Right of Way Supervisor or Project Manager of their determinations.
PROCEDURE 5

The review appraiser shall:

- Check all mathematical computations. Professional judgement shall determine whether errors are significant enough to justify the return of the report to the appraiser for correction.

- Check parcel numbers, project numbers, owners, areas, and item numbers shown in reports against the same information on the official plans. Differences shall be explained in the report or by the reviewer. Areas and acquisitions must correspond with summary sheet of the most current revision of the plans.

- Check valuation dates, dates of inspection, and appraiser’s signature for compliance with current appraisal instructions.

- Determine the adequacy of all narrative portions of the report.

- Determine compliance with all state and federal standards and requirements.

- Read the report to determine one’s ability to follow the appraiser’s reasoning. Adjustments used in the Cost and Sales Comparison Approaches must be clear and concise. Particular attention shall be given to the descriptions and estimates of damages to the remainders.
PROCEDURE 6

Review appraisers shall:

- Attend the initial inspection with the appraiser when practical in order to minimize intrusion on the property owner.

- Schedule an appointment with the owner or occupant prior to inspection of the subject when possible or practical, if unable to attend the initial inspection.

- Visually inspect the proposed acquisition. The appraiser shall observe and consider site improvements within the taking regardless of whether these items appear on the plans.

- Inspect the exterior and interior of any major improvements taken or damaged by the proposed acquisition.

- Determine that the information concerning buildings taken or damaged is reasonably accurate. Area, quality, type of construction, depreciation, and similar information becomes more important when the cost approach is the only approach used or relied upon.

- Evaluate present use and highest and best use at the time of field inspection. The appraiser shall study and analyze any anticipated change of highest and best use in the field at this time.

- Spend adequate time on each parcel to eliminate the need for subsequent inspections. Properly prepared field notes on each parcel provide a valuable source of information for the final desk review.
PROCEDURE 6 (CONT.) The review appraiser shall observe the following:

- Sketches and photos to assure they are reasonable representations of the property.

- Physical attributes affecting value such as (but not limited to) access, drainage, railroads, sidings, terrain, easements, and natural barriers.

- Information contained in the property map, plan and profile sheets, and cross-sections.
PROCEDURE 7  

The review appraiser shall:

- Reconcile any discrepancies between the results of the onsite inspection and the contents of the appraisal reports.

- Systematically check the documentation of the cost approach including the cost source, base unit values, applicable modifiers, variations from base cost, and depreciation applied to the improvements. Checks shall also include documentation and adjustments to the land value, plus the cost source and contributing value of the site improvements.

- Analyze the documentation of the income approach including the capitalization technique, economic rent, expenses, economic life of the buildings, and capitalization rates. The review appraiser shall address differences in economic rent and contract rent.

- Check sales information contained in the appraisal report against the corresponding data contained in the sales/data book or sales report. The review appraiser shall check the sales report for documentation and justification of any adjustments applied in the sales comparison approach.

- Review for final value estimate the “Justification of Value Used” and “Correlation of Approaches.”

- Check allocation of values. All allocations must approximate or support the indicated values in the relied upon approach.

- Determine the adequacy and reasonableness of the narrative description of the taking and remainders.

- Analyze justifications of damage and enhancements. The review appraiser must fully understand the method employed by the appraiser to determine any compensation for damages and enhancements. The documentation and justification for this monetary consideration shall satisfy current requirements.
PROCEDURE 7 (cont.)

- Give proper attention to the “after value” documentation since it is as important as the “before value” documentation.

- Assume responsibility for recommending an estimate of just compensation for approval.

- Contact the District Property Management Agent for a determination of the salvage value of real property within the area of the acquisition.

If errors or omissions will have significant effect on the value estimate, the appraiser shall be required to make appropriate corrections. Minor errors and omissions shall be noted in the review document as having no effect on final value conclusions.

Appraisal reports containing improperly developed approaches and techniques shall be returned to the appraiser to be properly prepared for resubmission. Any estimate of value outside the range of indications is not acceptable. Further, an appraisal shall be rejected in its entirety if the report conflicts with the facts to the point of incredibility.

The review appraiser shall review the total report before returning it to the appraiser. Additional information and documentation may be requested from the appraiser without returning the complete report.

The review appraiser shall not spend an excessive amount of time trying to make the report acceptable; however, the review appraiser shall provide support for changes to the estimate of compensation made because of differences of opinion.

If an appraisal is returned to the appraiser, the review appraiser shall specify the major reasons for the return and the proper information requested. Minor errors and deficiencies shall be noted for information purposes with no specific action requested.

The review appraiser shall request second or third appraisals through the Appraisal Branch Manager when they are necessary to reach fair and equitable value conclusions.

At this point in the process, 75% of the final invoice of the appraisal fee may be approved if the reports meet the requirements of the Transportation Cabinet.
Procedure 8

The review appraiser shall:

- Determine the acceptability of the procedures, standards and methods (as outlined in the instructions provided to appraisers) used when two appraisals have been made on one parcel.

- Return unacceptable appraisals for correction before final review of that parcel. If both appraisals are acceptable, the review appraiser must determine which appraisal presents the best documentation and most reasonably reflects the compensation to be paid.

- Complete a review for each report when reviewing dual appraisals. One of the reports must be selected as the basis for compensation.

**Note:** It is not permitted for the review appraiser to reconcile the two reports into a third value estimate based on parts taken from the two reports.

- Include a note at the bottom of the review sheet of the recommended report stating:
  - The report has been selected as most representative of fair market value
  - The amount of compensation

The review appraiser’s recap sheet will accompany this review. The review appraiser shall not mention the other report.

- Complete a review of the report that was not recommended, including the reasons why it was not recommended and the superiority of the other report. The review appraiser shall not include a review sheet, recap sheet, or a recommended value with this report.

- Include only the recommended value on the summary sheet covering the two reports.
PROCEDURE 9

Upon completion of each appraisal review, the review appraiser shall:

- Select an appraisal rating from the drop-down choices provided on the electronic version of the review sheet (TC 62-87).

- Base the rating on the quality of the individual appraisal, not the appraiser’s overall performance on the project.

The rating of each individual work product combined with an overall review of the fee appraiser’s performance gives a reliable indicator of expected performance in the future.
OVERVIEW

There are no dollar threshold amounts that automatically trigger dual reports on a parcel.

Dual reports tend to confuse and cloud appraisal issues; however, the review appraiser always has the choice of requesting dual reports on any parcel based solely upon the complexity of the appraisal problem.
It is strongly suggested that before returning reports for correction, the review appraiser meet with the appraiser to discuss the deficiencies and the reasons for returning the reports. This personal contact shall help to maintain a good working relationship with the appraiser.

If it becomes necessary to return appraisals to the appraiser for correction or additional data (AG-402-7), the review appraiser shall:

- Make a copy of the complete appraisal before returning it to the appraiser. Mark the copy “Returned for Correction” followed by the date it was returned. Return the original and all copies submitted by the appraisers.

- Send a copy of the transmittal letter to the Right of Way Supervisor/Project Manager and the Appraisal Branch Manager.

- Place the copy of the original submission and the corrected appraisal in the district’s parcel file that is retained as a permanent record copy of the appraisal.

The letter accompanying the reports to the appraiser shall include the reasons for the return and the revisions necessary to make them acceptable. The letter shall provide the deadline for report resubmission. Deadline extensions shall not be granted, except on the authority of the Right of Way Supervisor.
## Just Compensation

State law requires that a property owner be paid “just compensation” for property when it is acquired for public use. As just compensation is based on fair market value, it is essential that the review appraiser’s determination of value reflect the current market value as of the date of review. All appraisals completed by staff or fee appraisers shall bear a valuation date of not more than 30 days prior to the date of submission.

## Fair Market Value

To insure that current market value is used in all negotiations, review appraisers shall re-evaluate appraisals previously reviewed, but on which the fair market value offer has not been made within a 180-day period, to determine if there is a need for updating.

## Updating an Appraisal

The review appraiser may update an appraisal when there has been no substantial change in the physical characteristics of the parcel since the date of the appraisal, or the date of the last review. To update an appraisal, the review appraiser shall:

- Inspect or re-inspect the property to determine that there has been no substantial change in the property.
- Support any time adjustments by reference to current time studies submitted on other projects, or prepare their own time study for documentation.
- Attach a new review sheet (TC 62-87) to the appraisal, setting forth reasons and procedures for updating.
- Attach a new review recapitulation showing the revised allocation resulting from the update.

**Note:** Appraisals that have become outdated due to a substantial change in physical characteristics or changes that involve valuation factors requiring the appraiser’s judgment shall be returned to the appraiser for revision and updating.
OVERVIEW

It is the responsibility of the review appraiser to ensure that salvage values for improvements acquired are contained in the report or the review. Salvage values are generally obtained from the district’s Property Management Section. Salvage values do not necessarily apply only to buildings and building equipment considered real estate. Site improvements may also have some value as salvageable items. Examples may include chain link fences, light standards, underground storage tanks, gates, and ornamental fencing.

SALVAGE VALUE OF SIGNS

In determining the salvage value of signs, the review appraiser shall include the necessary information in the sign valuation estimate. For signs of any type, the salvage value is always the estimated value in place, less the cost of relocation (including the new base and wiring). If the relocation cost exceeds the value in place, the salvage value is zero. The appraiser or sign value estimator is required to provide this information.
<table>
<thead>
<tr>
<th>Section</th>
<th>GENERAL PROCEDURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject</td>
<td>Identification of Remainder as a Buildable Lot</td>
</tr>
</tbody>
</table>

**OVERVIEW**

When principal improvements have been acquired, relocation procedures require a declaration as to whether the remainder is a buildable lot. The review appraiser’s remarks shall include a brief statement to this effect.
Airspace agreements (ground leases) are initiated by the Division of Traffic. Typically, an airspace agreement involves a lease between a property owner (lessee) and the Commonwealth of Kentucky (lessor). The review follows the same procedures as outlined previously with particular attention paid to analysis of economic rentals and rates of return. The review appraiser shall be satisfied that the report accurately portrays the property and that all major value factors have been considered. The recommended value will, in most cases, be a rental return on the property that is the subject of the airspace agreement. These reports are reviewed by the regional reviewers. Summaries submitted with these reports shall state (AIRSPACE AGREEMENT) in parentheses after the identifier or parcel number. Copies of the report and summary shall be retained in the Division of Right of Way and Utilities Central Office.
The Division of Traffic shall initiate appraisals to estimate the difference in value caused by granting access on a controlled or partially controlled access highway. The review of these reports follows the procedures previously outlined, keeping in mind the nature and purpose of the report and the value found. An access report is a before value (as the property presently exists) and after value (as the property exists with access granted) appraisal. The difference in value, if any, will be the change brought about by the granting of the access point.

These reports are reviewed by the regional reviewers. Summaries submitted with these reports shall state (ACCESS POINT) in parentheses after the parcel number. Copies of the report and summary shall be retained in the Division of Right of Way and Utilities Central Office.
These reports are reviewed by the regional reviewers. Summaries submitted with these reports shall state **(SURPLUS)** in parentheses after the parcel number. Copies of the report and summary shall be retained in the Division of Right of Way and Utilities Central Office.

Review of these appraisals shall follow the same procedures outlined for acquisition appraisals, keeping in mind the nature and purpose of these reports. The report shall contain two values: a separate entity value and a contributing value of the surplus to the adjoining property. The recommended value will be the higher of the two.

The date of valuation may be a date prior to the date of inspection. The applicant may have obtained a prior permit to do work on the parcel (filling, leveling, etc.) and may have already completed the work. In most of these cases, the date of valuation will be before any work has been completed. The review appraiser shall confirm the effective date of the appraisal is correct.
OVERVIEW

Summaries are filed separately from the appraisal reports in central office and provide a quick reference of which reports have been approved and at what dollar amounts. Summaries also serve as final approval from the Division Director or designated representative for the compensation recommended. Every group of appraisals submitted to central office must be covered by an original summary itemizing each report in that submission.

The following list shows the number of appraisal report copies required for the various types of projects:

<table>
<thead>
<tr>
<th>Report Type</th>
<th># Required</th>
<th>Submission to C.O.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROW Acquisition</td>
<td>Original + 3</td>
<td>Original</td>
</tr>
<tr>
<td>Transportation Enhancement</td>
<td>Original + 1 Electronic</td>
<td>All</td>
</tr>
<tr>
<td>Surplus</td>
<td>Original + 1 Electronic</td>
<td>All</td>
</tr>
<tr>
<td>Airspace Agreements</td>
<td>Original + 1 Electronic</td>
<td>All</td>
</tr>
<tr>
<td>Access Points</td>
<td>Original + 1 Electronic</td>
<td>All</td>
</tr>
<tr>
<td>Court Testimony</td>
<td>Original + 1</td>
<td>All</td>
</tr>
</tbody>
</table>

Parcel allocation on individual summaries shall be limited. No more than five parcels shall be carried on one summary regardless of dollar amounts of compensation. Appraisals requiring two reviews shall not be submitted on the same summary with appraisals requiring only one review.
It may become necessary to revise a review of an appraisal report, which may alter compensation. A revised review shall be titled **REVISED REVIEW** in capital letters just below the review checklist on the Appraisal Review Sheet (TC 62-87). The total compensation (revised amount) shall be shown as the recommended amount. In every instance, the original and all subsequent reviews must be preserved in hard copy and electronic form as a record of prior review actions and approvals.

On the summaries accompanying revisions, the word **(REVISED)** in capitals and in parentheses shall follow the parcel number of the report which has been revised. The total revised amount is then entered under the “AMOUNT” column, and the amount of increase (+) or decrease (-) for each parcel is displayed in the “NET CHANGE” column. Revised parcels and original submissions may be combined on the same summary. With summaries containing revised parcels, the “Total This Summary” line shall equal the net increase or decrease for those revised parcels, plus the amounts approved for any additional parcels included on that summary.

Occasionally, a revision will result in no change in compensation even though something has changed in the property, plans, or report. It is still necessary to submit a revised review showing the same amount previously approved. This maintains the integrity of the appraisal since no one can then question that it was an appraisal oversight. Revisions that do not alter compensation require a summary.
OVERVIEW  Periodically, it will be necessary to re-appraise a property from which additional right of way is needed after one acquisition has already taken place. This is, in effect, compensation for a new parcel and not revised compensation for a parcel that has not been acquired.
OVERVIEW

When the remainder of a parcel is determined to be an uneconomic remnant, it is essential to emphasize that fact to the buyer and others who read the report.

The review appraiser shall note that the parcel has a remainder that is an uneconomic remnant, and clearly state in the review the total amount of compensation if the remnant is purchased along with the acquisition. If the remnant has temporary easements on it that would be eliminated in the acquisition of additional land areas, the amounts of the temporary easements shall be deducted from the value of the remnant.

On the summary near the center of the sheet, immediately beneath that parcel, a note similar to the following shall be included: “This parcel contains an uneconomic remnant that, if purchased, would increase total compensation to $ (dollars).” The recommended amount of compensation (not including the remnant’s value) shall be entered under the “AMOUNT” column.

Note: Project totals reflect only the amount of recommended compensation, not including the uneconomic remnant’s value.
Access point appraisals must meet all appraisal requirements for the Commonwealth of Kentucky. This type of appraisal estimates the effect on value in a disposal of access control rights and are usually initiated by a request from the Division of Traffic. The property owner is responsible for hiring the appraiser from the approved fee appraiser list to prepare the appraisal.

Access control is a property right considered part of the highway right of way [23 CFR 710.403(d) and KRS 416.350]. When these rights are relinquished – i.e., conveyed - to a private party or a public agency for nonpublic use, the Cabinet is due reimbursement for any change in value caused by the granting of access.

An adjoining owner shall make application to acquire access rights on a controlled or partially controlled highway. The appraisal problem essentially becomes the reverse of acquiring rights of way. The property is first appraised without the access, then the property is appraised as though access rights have been granted. The difference between these two figures, if any, is the amount due the Cabinet for transferring its access control property right.

The owner of the tract shall bear the cost of constructing the actual entrance. Only the right of access will be granted, not physical access itself.

The cost of construction shall not be included in the appraisal. This could become important when using market sales that had fully developed entrances at the time of sale. Once completed, the appraiser shall submit the original and one electronic copy.
OVERVIEW

The Division of Right of Way and Utilities frequently receives requests to appraise or review appraisals made for purposes other than for right-of-way acquisitions. This category of appraisals must meet all appraisal requirements for the Commonwealth of Kentucky. These may involve the acquisition and disposal of various properties for which state or federal funds have been, or will be, expended.

- Appraisals shall be prepared in a narrative format.
- The assigned review appraiser shall make the initial review.
- The appraiser shall submit the original and one electronic copy of the appraisal to Central Office for review.
- The written review shall be in memo format with identifying information in the heading.
- The appraiser shall also submit an appraisal summary with signature lines for the review appraiser and Appraisal Branch Manager.
OVERVIEW

The appraisal is an analytical narrative report following current professional appraisal practices involving the application of standard techniques, such as:

- Sales comparison approach
- Cost approach
- Income approaches to value

Other portions of the report, such as introductory and supporting data, limiting conditions, and certifications shall also meet these standards. The type of acquisition shall govern the formality of documentation and the complexity involved.

The Commonwealth does not wish to impose unduly stringent requirements, but does require adequate and complete documentation and that qualified appraisers, either staff or fee, must independently prepare all appraisals.

The report on any individual property may vary depending upon the type of property being appraised. In certain circumstances:

- Extensive data shall be required in the case of highly specialized or complex properties.
- A lesser amount of data may be required when the complexity is considered minor.
- Generally, all items must be considered by the appraiser and included in the report. If any item is omitted, the appraiser shall adequately explain the reason.

QUALIFICATIONS

The appraiser shall include a statement of qualifications of all appraisers contributing to the report.
The appraiser shall list those limiting conditions and assumptions directly or indirectly influencing the appraiser's final value conclusion. For example:

- Title is assumed to be good and marketable.
- Legal description furnished by the appraiser is assumed to be correct.
- Information supplied by others is, to the best of the appraiser's knowledge and belief, considered to be in conformity with the true facts.
- No one other than the appraiser signing the report prepared the analysis, conclusions, and opinions concerning real estate that are set forth herein.

The appraiser shall provide the type of value to be determined and the definition thereof.

The appraiser shall identify the property being appraised, including the location of the property and the legal description. A copy of the legal description shall be included in the addenda of the report and referred to at this point. If a legal description has not been furnished to the appraiser, or is not otherwise available, this fact shall be noted in the appraiser's comments. All reports shall provide a five-year sales history of the property.

The appraiser shall discuss factors influencing the value conclusions reached for the subject property. The social and economic factors of the community shall be discussed only to the extent they affect the property being appraised. The discussion shall include residential, commercial, industrial, and other expansion of the community, as applicable to the appraisal property. The appraiser shall analyze the data to determine the stability of the area and neighborhood, and to estimate the future economic trends that may affect the final value conclusions.

The appraiser shall include the following property data:

- **Site.** The appraiser shall indicate the size, dimensions, and area of the subject site by providing the following information:
  - Description of the type of soil, topography, mineral deposits, easements, etc.
PROPERTY DATA (cont.)

- Indication that mineral deposits have more than a nominal commercial value
- Stands of merchantable timber, if possible
- Type of current access to the property
- Detrimental or hazardous factors (possible or present) inherent in the location of the property, such as:
  - contamination
  - landfills
  - noxious odors
  - erosion
  - flood plain
  - any other known condition potentially affecting the value

**Improvements.** The appraiser shall describe all improvements by narrative or an attached schedule form, including all dimensions and square foot areas. In the case of rental properties where the income approach is used, the appraiser shall include a statement indicating the method used in determining leasable areas, such as gross, net, or full floor.

Further, the condition of the improvements shall be described in sufficient detail to allow the reader to understand the depreciation that may be assigned in the cost approach and any discount in rental value that may have been included by the appraiser.

**Equipment.** The appraiser shall describe all equipment by narrative or an attached schedule form, including type and purpose.

**Condition.** The appraiser shall state the current physical condition, relative use, and obsolescence for each item or group appraised. Whenever applicable, the appraiser shall include the repair or replacement required to bring the equipment to usable condition.

**Assessed Value and Annual Tax Load.** The appraiser shall include the current assessment, tax rate, and the dollar amount of real estate taxes for the appraisal property.

**Zoning.** The appraiser shall describe the zoning for the subject property and all comparable properties included in his or her report. The appraiser shall list the uses permitted under the zoning classifications or they may include a copy of the zoning regulations in the addenda of the report, making reference to them at this point. If rezoning is eminent, the appraiser shall discuss this under “Highest and Best Use.” If there is no zoning in effect, the appraiser shall clearly explain this fact.
The appraiser shall define the term “highest and best use,” and furnish a sufficient analysis to indicate the highest and best use that can be made of the subject property. The valuation shall be based on this use.

The appraiser’s opinion of the contributing value of the land shall be based upon its highest and best use regardless of any existing structures, and shall be supported by confirmed current factual data (sales and offerings) of comparable, or nearly comparable, land parcels having like optimum uses.

The appraiser shall analyze the comparable market data to indicate the relationship to the subject property. All differences shall be discussed, and adjustments - either plus or minus – shall be made where applicable. Adjustments shall be expressed in terms of dollars or a percentages, but the appraiser shall clearly show why any adjustments made are reasonable.

In this section, the appraiser shall use computative data arranged in sequence, beginning with reproduction or replacement cost, and shall state the source (book and page number, as well as the revision date if a national service) of all figures used.

The revision date must be current for the national service used. The appraiser shall explain in narrative form the dollar amounts of physical deterioration and functional and external obsolescence, or the omission of the same. This procedure may be omitted on improvements, both real and personal, for which only a salvage or scrap value is estimated, if it can be clearly supported through narrative explanation that they contribute no other value.

In using this approach, the appraiser shall furnish sufficient market rental information to support the estimated economic rent for the subject property. Each market rental furnished shall be discussed to show how it relates to the economic rent.

The appraiser shall prepare an operating statement showing the estimated gross annual rent, allowances for vacancy and credit loss, and an itemized estimate of all expenses, including reserves for replacement. The appraiser shall provide an explanation showing the source of each expense item.
VALUE ESTIMATE BY INCOME APPROACH (CONT.)

Capitalization of net income shall be at the rate prevailing for this type of property and location. The capitalization technique, method, and rate used shall be explained in narrative form supported by a statement of sources of rates and factors.

VALUE ESTIMATE BY SALES COMPARISON APPROACH

The appraiser shall confirm all comparable sales used with the buyer, seller, broker, or other person having knowledge of the price, terms, and conditions of sale.

The appraiser shall weigh and explain each comparable in relation to the subject property, indicating the reasoning behind the appraiser's final value estimate from this approach. A dollar or percentage adjustment for each factor of difference shall be included. All adjustments made by the appraiser shall be supported by comparative analysis between sales. Each comparable used shall be described in detail as provided under detail of the comparative data.

INTERPRETATION AND CORRELATION OF ESTIMATES

The appraiser shall interpret the foregoing estimates and shall state the reasons why one or more of the conclusions reached in Items (9), (10), and (11) are indicative of the market value. If only one approach to value is used, the appraiser shall clearly explain why he or she did not use the other approaches.

TABULATION OF HISTORY OF CONVEYANCE:

The appraiser shall briefly state the purpose for which the improvements, if any, were designed, approximate date of original construction, and any major renovation and additions.

The appraiser must provide a 5-year record of all conveyances of subject property, including any recent leases that may have expired or offers to buy or sell, if possible. If no sale has occurred in the past 5 years, the appraiser shall include the last source of title.

CERTIFICATION OF APPRAISER, TO WIT

The appraiser shall certify the following:

- Personal inspection of the property
- Afforded the property owner or the designated representative the opportunity to accompany him or her at the time of inspection
CERTIFICATION OF APPRAISER, TO WIT (CONT.)

- Has no present or contemplated interest in the property
- Any fee received for this appraisal is in no way contingent upon the value reported herein
- In his or her opinion, the market value of the taking as of:

___________________ is $_______________________________.
(Valuation date)

___________________ (Signature)             __________________ (Date report submitted)

EXHIBITS AND ADDENDA

Exhibits and addenda may include:

- **Location Map.** Show location within the city or area.

- **Comparative Map Data.** Show geographic location of the appraised property and the comparative parcels analyzed.

- **Detail of the Comparative Data.** All comparative market data included in the report shall be described in sufficient detail to allow the reader to understand its comparability to the subject property.

The appraiser shall describe land sales by showing dimensions and areas, frontages on streets or roads, access, topography, zoning at time of sale, present use, highest and best use, and any improvements since the date of sale. The same applies to other land data, such as ground leases and listings.

The appraiser shall describe improved sales in the same detail showing dimensions, square foot areas (1st and 2nd floors), number of rooms, baths, estimated age, effective age, general appearance and condition, and other factors that may be compared to the subject property, such as heating, air conditioning, and special land improvements.

- **Property Sketch.** The sketch shall reflect the property’s shape, boundary dimensions, adjoining streets or roadways, and natural barriers such as creeks and steep topography.
EXHIBITS AND ADDENDA (CONT.)

- **Building Sketch.** The sketch shall reflect all dimensions, including floor plans for all acquired buildings.

- **Photographs.** Pictures shall show the front, side, and rear elevation of major improvements to the property, plus any unusual features. All graphic material shall include identifying captions. Interior photos shall be included for all buildings acquired. All photos shall include the following captions: date taken, direction, taken by, and description.

- **Other Pertinent Exhibits.** The appraiser shall include additional exhibits, as needed.
DEFINITION OF BILLBOARD SIGNS FOR ROW ACQUISITION

In Kentucky, billboard signs are considered personal property affixed to real property. For right of way acquisition purposes, they are considered to be those signs which advertise products or business activities foreign to the subject property.

Individuals or business typically own the billboard signs and lease the sign site from the fee landowner. Because billboard signs are treated as personal property, they are normally handled as relocation items and need not be included in appraisals.

Note: In rare instances, it may be necessary to appraise a billboard. In such cases, the appraiser shall seek guidance from Central Office staff.

SITE VALUATION

As previously noted, sign sites are typically leased by the sign owner from the fee owner of the land. Ownership of both the sign and site is rare.

Sign site leases seldom delineate a specific area, but usually describe a general location for the sign and state the sign owner’s rights with respect to access, maintenance, and renewal of the lease. The appraiser shall obtain a copy of the lease, if possible. Failing that, reporting of the terms of the lease will be accepted if verifiable.

If the sign is to be removed and cannot be relocated on the subject property, the appraiser must estimate the compensation for the lost income stream if the lease is determined to add value to the land.

The appraiser shall be aware that under Kentucky law (KRS 177.830-.890), only “routine maintenance” on billboards is allowed; i.e., the structure may not be improved in a manner that significantly extends its physical life. This means they have limited physical and economic lives, just as buildings do. When billboards cannot be replaced on the subject property, the sign site must not be valued based on an income projection period which exceeds the sign’s estimated economic life.
SITE VALUATION (cont.) Valuation of the sign site is not required in situations where the sign can be legally reconstructed or relocated with no negative effect on the income stream.

VALUATION OF LEASEHOLD The appraiser shall value any leasehold interest the sign owner may have in the sign site in order to make an offer to the sign owner to extinguish the leasehold interest. (AG-508)
Communication and cellular antenna towers are not taxed as real estate in Kentucky and, therefore, are considered to be personal property affixed to real property. Companies typically own and operate these structures to support cellular telecommunications or personal communications services. Because they are not classified as real property, they do not need to be included in appraisals.

Communications tower owners typically lease structure sites from the fee owner of the land. Therefore, the appraiser shall obtain a copy of the lease agreement whenever possible. Otherwise, reporting the lease terms will be acceptable, if verifiable. The appraiser shall estimate the present worth of the income stream to the land in all instances where the lease is determined to add value to the real estate.

All leasehold interests in the land must be valued in order to permit making an offer to extinguish the leasehold (AG-508).
Any real property interest acquired under Title 23 funding requires states to charge fair market value for the sale, use, and lease of right-of-way airspace, except as provided in paragraphs (e)(1-6) in 23 CFR 710.403(e). As leases for surface parking appear to be the most prevalent use of highway airspace, the following comments are geared toward those situations.

The rental value of airspace agreements (essentially ground leases) shall be based upon their contributing value to the property with which they will be used (such as, the dominant tract). The first consideration in the use of a proposed airspace shall be of its highest and best use (HBU). The appraiser shall identify HBU on all new proposals, as well as on existing leases due for renewal. Once HBU is identified, some alternatives are presented depending upon the available market data.

- **Rental Analysis.** When establishing fair market rent, a complete appraisal may not be necessary. Rather, a comparative rental analysis may be all that is required. This process is similar to the one used in the sales comparison approach to value. The appraiser shall research, analyze, and compare comparables to the subject using appropriate adjustments for differences between the properties. The result of this process is a reconciliation of the various indications of rental value into a final estimate of a fair rental value for the subject property.

- **Property appraisal.** In the absence of market rental data, a complete appraisal of the property is required. Following this course, the appraiser makes a conventional appraisal of the property, then a rate of return is projected based on the appraised value of the property and a fair return on equity investment. This rate of return is applied by the Permits Branch of the Division of Traffic, and results in the fair market rental for the airspace lease.

In either case above, the format will probably be narrative since the appraiser is seeking a rental value and not the value of a proposed acquisition.
Basically, the appraisal process will still be employed, covering such points as title, rights appraised, certification, property description, photos, sketches, and comparable data. The only significant difference will be in the valuation process and the final value conclusion.
OVERVIEW

The Cabinet's Division of Right of Way and Utilities implements and coordinates the disposal of excess property declared surplus.

EXCESS PROPERTY

Excess property is:

- Acquired in connection with a state-funded or federally-funded road project, which at the time of acquisition was not needed for right-of-way purposes
- Designated as excess by separate description in the deed to the Commonwealth
- Always outside the proposed right-of-way limits
- Severed from another remainder, denied reasonable access, or changed by the acquisition to the point it has no utility or value to the present owner

SURPLUS PROPERTY

Only an Official Order of the Secretary of the Kentucky Transportation Cabinet or the Commissioner of the Department of Highways shall declare property as surplus to the needs of the Cabinet.

Before declaring property surplus to KYTC's needs, a review shall determine that:

- It is no longer needed for the purpose for which it was acquired.
- It will not be needed for KYTC-related purposes in the foreseeable future.
- Disposal of the property will not create a hazardous situation for the public.
**Valuation**

For an excess or surplus property offered at public sale, only the entity value (the value of the property as it stands alone) shall be calculated. The appraiser shall follow proper appraisal procedures in preparing the report, with particular attention given to the collection of truly comparable data and the analysis of that data. The appraisal shall be prepared in a narrative format.

Two values are needed for a property that is being sold to an adjoining owner who has made application to buy it:

1. **Entity or stand-alone value**
2. **Surplus property contributing value** (contribution of the surplus in combination with the adjacent tract)

The appraiser shall calculate the value of the adjacent property with the surplus right of way considered to be assembled, as well as without the surplus right of way. The contributing value of the surplus right of way is the difference between these two values.

**Date of Valuation**

In some cases, the date of valuation for surplus or excess property may be prior to the date of inspection; thus, the property may have been physically altered. Such alteration frequently occurs when an adjoining owner has obtained a permit to do grading, leveling, or filling on the surplus in conjunction with site work on the adjoining tract. In some of these cases, the date of valuation will be a date before the site work was completed.

The appraiser shall always obtain the effective date of appraisal from the Division of Right of Way and Utilities. If the property has been physically altered, it may be necessary to use project cross sections and original appraisal photographs to determine the physical features of the surplus before the site work was done.

**Encroachments**

If the surplus property being appraised contains an encroachment from the adjacent property, the encroachment shall be considered as it affects the contributing value of the surplus to the adjacent property. This category of appraisals must meet all appraisal requirements for the Commonwealth of Kentucky.

**Value Less Than or Equal to $10,000**

A property valued less than or equal to $10,000, may be calculated by a qualified KYTC employee and approved by the Right of Way Supervisor using the Minor Acquisition Review (MAR) process as outlined in ROW-702.
Appraisals of this type are the responsibility of the applicant as stated in ROW 1402-1. The appraiser shall submit the original and one electronic copy to the Division of Right of Way and Utilities for review by the Central Office regional reviewer. The applicant’s appraiser shall meet with the review appraiser prior to beginning the assignment.
DEFINITION

“Leasehold interests” are the lessee's right to use and occupy the real estate during the term of the lease, and are restricted only by the contractual agreement.

DETERMINING FAIR MARKET RENT

The appraiser must document the measure of current market rent applicable to the subject in the same manner that comparable sales are used to establish current fair market value. The appraiser shall analyze the rental data to the same extent as sales data in order to arrive at a fair rate that is reasonable in terms of quality and reliability.

After establishing the current fair market rent, the appraiser shall compare the market data to the terms of the subject lease. If the appraiser determines the lessee enjoys an advantage in contract rent, then he or she shall compute the leasehold interest by discounting the margin of the advantage over the term of the remaining contract, similar to discounting an annuity to present worth.

The appraiser shall be extremely careful in his or her interpretation of the lease data, such as special provisions, concessions, and revisions that may be stipulated within the contract agreement.
49 CFR, part 24.105 states:

"When acquiring any interest in real property, the Agency shall offer to acquire at least an equal interest in all buildings, structures, or other improvements located upon the real property to be acquired, which it requires to be removed or which it determines will be adversely affected by the use to which such real property will be put. This shall include any improvement of a tenant-owner who has the right or obligation to remove the improvement at the expiration of the lease term."

This means that if a tenant has added improvements (either structures or site improvements) to a property, and both lessor and tenant agree the improvements belong to the tenant, a separate offer must be made to the tenant to acquire those improvements. The value of the tenant-owned realty must be included in the overall compensation.

The appraiser shall use Sheet 10, Section 1, to itemize all tenant-owned realty, and shall clearly allocate the value of tenant-owned realty on Sheets 9, 15, 16, and the review recapitulation. Before receiving any direct payment for improvements or fixtures, the tenant owner must assign, transfer and release to the state all rights, title, and interest in such improvements and fixtures.

**Note:** The appraiser must exercise caution to prevent any duplication of compensation when making separate valuations.
The term “manufactured structure” refers to a structure that is cut, packaged, or assembled in one location and shipped to another location for use as a residence or office. Common types include:

1. Kits or packages containing pre-cut components for construction on a site. This kit normally includes instructional information for the purchaser/assembler or for assembly by a franchise agent of the kit’s seller.

2. Panelized or sectional units are assembled in a jig or form on an assembly line. These units or sections offer standardized construction with rapid, on-site assembly.

3. Modular structures are buildings assembled in modules (complete sections) for transport to a site for set-up. Modular structures are differentiated from "mobile homes" by the type of frame or framework on which the unit is transported. Most modular structures are transported on a framework that is removed once the unit is placed on a permanent foundation. However, some manufacturers provide steel rails or frame as an integral part of the structure. Running gear, wheels, axles, springs, and hitches are removed once the unit is placed on a permanent foundation.

4. Mobile homes are complete structures assembled on steel frame rails, and include running gear for transport from a manufacturing plant to the user’s site.

Typical construction of types 1, 2, and 3 above, require a permanent foundation for support. In all but exceptional cases, the appraiser shall view these completed structures as real property.
REAL VERSUS PERSONAL PROPERTY (CONT.)

However, type 4 – mobile homes – may be handled in one of two ways:

- If the land owner and mobile home owner are the same, the appraiser shall view the mobile home as real property.

- If the land owner and the mobile home owner are different, the appraiser shall view the mobile home as personal property.

The appraiser shall include items belonging to the tenant that are normally considered real property (room additions, porches, decks, septic systems) as tenant-owned realty. A tenant-owned mobile home that is in such poor condition that it cannot be moved without destroying it, may be considered tenant-owned reality and included in the compensation.

OWNERSHIP VERIFICATION

The appraiser shall verify the ownership of any mobile home being acquired by obtaining a copy of the title, if possible, and shall include the owner’s name on Sheet 2 in the Five Year Sales Record/Last Source of Title. At a minimum, the appraiser shall visually verify ownership on the Certificate of Title.

SALVAGE VALUES

The review appraiser shall obtain salvage values from the district property management agent and include them in the appraisal review.
OVERVIEW

The Appraisal Branch in the Division of Right of Way shall make assignments for appraisals in preparation for court testimony. These may be new assignments or an assignment to update a previous report to the date of taking. Appraisal reports received for purposes of court testimony must meet the appraisal requirements of the Commonwealth of Kentucky.

FEE PROPOSAL PROCEDURES FOR COURT APPRAISAL SERVICES

The following fee proposal procedures shall be followed when requesting court appraisal services:

- When the trial attorney decides to obtain appraisal reports in preparation for trial, he or she will solicit fee proposals from fee appraisers and forward them to the Appraisal Branch Manager.

- The appraiser shall send a copy of the request to the Appraisal Branch Manager.

- The appraiser shall send the fee proposal in letter format on the appraiser’s letterhead to the Kentucky Transportation Cabinet at 200 Mero Street, Frankfort, KY, 40622, in care of the Appraisal Branch Manager.

The letter shall include:

- County name
- Item number
- Project number
- Defendant’s name
- Parcel number
The fee proposal shall include:

- Type of property being appraised
- Size of the subject property
- Building and site improvements on the subject
- Areas of the proposed acquisitions, including all fee simple areas, temporary easements, and permanent easements
- Buildings and site improvements within the acquisition areas
- Other issues that may affect value (such as proximity, changes in highest and best use, and grade changes) etc.

When the decision is made to obtain appraisal reports in preparation for trial, the trial attorney will solicit fee proposals from fee appraisers and forward to the Appraisal Branch Manager. Appraisal fees are reviewed by the Appraisal Branch Manager and approved by the Division of Right of Way Director.

Appraisers shall follow these procedures when submitting appraisals for court testimony for review:

- Two hard copies of the appraisal report shall be sent to the Kentucky Transportation Cabinet, 200 Mero Street, Frankfort KY, 40622, in care of the Appraisal Branch Manager.

- The appraiser shall not send copies of the report to the attorney.

The appraiser shall submit an invoice with the appraisal report.

- The standard invoice (TC 31-519) and the Legislative Research Commission (LRC) Personal Service Contract invoice are required.

- The invoices shall include the item number, parcel number, contract number, and correct dates. Direct questions about dates and contract numbers to the Appraisal Branch Program Coordinator.

- Invoices for the appraisal reports are approved in the Division of Right of Way and Utilities for the agreed fee – no day/date notations are necessary.
GENERAL APPRAISAL
Appraisals for Court Testimony

INVOICES

- All invoices for appraisal reports are paid against the practitioner’s Appraisal and Review contract that originates in the Division of Purchases.

- As many appraisers have multiple contracts, questions regarding which contract shall be used shall be directed to the Appraisal Branch Program Coordinator.

- Invoices for meetings, pre-trials, or court appearances, shall contain calendar dates worked at the per diem rate and shall be approved by the trial attorney. All invoices for these items are paid against the appraiser’s Court Witness purchase order and require only the standard invoice.

The invoice, as well as the report and the reviewer’s checklist, will be returned to the appraiser if the appraisal does not meet Cabinet requirements.

If the appraisal meets the Cabinet’s technical requirements and is recommended for court testimony, the invoice will be paid, and a copy of the review and approved report sent to the trial attorney.

UPDATED APPRAISAL REPORTS

When the appraiser receives notification that he or she will be a witness in the case, the appraiser shall prepare an updated appraisal report (or update the original) reflecting the new effective date (date of taking). The appraiser shall submit these updates as noted above.

REVIEW OF APPRAISALS FOR COURT TESTIMONY

The Appraisal Branch Manager is responsible for making review assignments to the regional review appraisers.

In order to expedite the invoice payment process, the review appraiser shall complete a cursory review of the report and submit the Court Testimony Compliance Checklist to Central Office. Upon completion of his or her review, the review appraiser shall submit the Court Testimony Appraisal Final Review to the Appraisal Branch Manager.

When either the Division Director or the Appraisal Branch Manager approves the appraisal report, the review and one copy shall be forwarded to the attorney of record.
Reports in which compensation falls within the following percentages of the originally approved compensation shall not be reviewed. This, of course, assumes no changes affecting the property have taken place during the time between completions of the two reports.

- Compensation up to $10,000 within 30%
- Compensation between $10,000 and $50,000 within 25%
- Compensation between $50,000 and $100,000 within 20%
- Compensation of $100,000 or above All reports reviewed

**NOTE:** An appraisal report for court testimony will be submitted in every case and placed in the files, irrespective of whether it is to be reviewed.
The appraiser is responsible for all sign estimates. Estimates from cost manual services will not be accepted. Valuation of business signs, both free-standing and those attached to buildings, are calculated on a depreciated cost basis.

The appraiser shall obtain estimates of replacement cost, amount of accrued depreciation, and relocation cost from a knowledgeable sign company. One written estimate is sufficient when it is obvious the sign structure value will not exceed $100,000.00; two written estimates are required for structures exceeding $100,000.00. The appraiser shall not consider removal of sign structures as a curable functional obsolescence item.

In some instances, it may be necessary to temporarily relocate a sign when it is acquired by a temporary easement. The estimate obtained must reflect the cost of the temporary move and permanent placement after the easement is relinquished. Purchase of signs shall always be included as a part of the total acquisition.

The salvage value is:

- Computed by subtracting the relocation cost from the depreciated replacement cost

  **Note:** The depreciated replacement cost shall include separate values for non-removable base and wiring, sign standard, and sign faces.

- Deducted from the total compensation if the owner retains the structure and takes responsibility for moving it

The appraiser shall identify separately all tenant-owned structures in the appraisal. Like fixtures, a tenant-owned sign requires a release and transfer of all rights, title, and interests in it. (AG-509)
Occasionally, the cost to relocate an aging sign structure will exceed the depreciated value of the sign, particularly when the relocation involves both temporary and permanent settings. If the sign is part of an on-going business, and the value of the entire enterprise would be damaged by its permanent loss, then compensation for moving the existing sign may exceed its depreciated value but still remain the basis for compensation.
Temporary easements may be acquired for several reasons, such as building removal, construction, storage, or materials. Compensation for temporary easements is usually based on land rental. In those cases, a rate of return is applied to the product of the remaining land’s unit value having been multiplied by the area being acquired in the easement. (AG-313, Item 9).

TEMPORARY DAMAGE

In some situations, a temporary easement acquisition can cause temporary damage to the remaining property. In Commonwealth vs. F. W. Ray, et al, the Kentucky Supreme Court stated, in part:

"it appears necessary to consider the damaging effect of the temporary occupancy of the land upon the adjacent remainder of the landowner's property.......a proper standard is the diminution in the fair rental value of the landowner's adjacent property by reason of the occupancy by the Commonwealth. If the part occupied has some material relevancy to the use of the overall premises, its temporary loss may cause a substantial depreciation in rental value."

The most common temporary loss in value is parking loss during the construction period, which can cause a loss of value to business properties through reduction in rental rates or increased vacancies. Construction of detours may also cause loss of use of portions of a property, as well as proximity damage until the detour is removed and the property is restored to its original state.

PERMANENT DAMAGE

Temporary easements may cause permanent damage to remainders when physical characteristics of the property are altered, such as fills or cuts, ditches, or other drainage structures. Such alterations oftentimes change the physical characteristics of the land, as well as the highest and best use of the affected areas. In these cases, a permanent damage may be applicable, and shall be reflected in the after value.
ADJUSTMENT FOR HIGH-VALUE LAND

Some temporary easements are acquired for purposes which only benefit the property. An example of this are easements to allow construction for tying in entrances. In some cases, easements on very high value land may be large enough (for example, those on shopping center or large commercial tracts) that the land rental becomes expensive. In situations where rental compensation appears unconscionably high, the review appraiser has the authority to lower compensation for the easement to a more reasonable figure.
OVERVIEW

Permanent easements may be acquired for a variety of reasons, including drainage, drainage structures, retaining wall systems, and utilities. In all instances, portions of the owner’s rights in the fee estate are being acquired.

COMPENSATION

All land rights are seldom acquired; therefore, it is uncommon for the compensation to approximate the land’s fee value. If only minor or rarely used rights are being acquired, compensation shall be nominal.

The appraiser usually expresses compensation for these acquisitions as a reasonably explained percentage of the fee value reflecting the portions of the owner’s rights being acquired.
Chapter
GENERAL APPRAISAL

Subject
Uneconomic Remnants

CABINET’S OBLIGATION
If the acquisition of only a portion of a property would leave the owner with an uneconomic remnant, the Cabinet is obligated to offer to acquire the uneconomic remnant along with the portion of the property needed for the project.

DEFINITION
49 CFR, 24.2 defines an “uneconomic remnant” as:

“a parcel of real property in which the owner is left with an interest after the partial acquisition of the owner’s property and which the acquiring agency has determined little or no value to the owner.”

FHWA clarified this definition prior to its inclusion in the Federal Register. Those comments, in part, are as follows:

"...the intention here is that the Agency (State), rather than the property owner, have the responsibility to make the final decision on whether a particular remainder is or is not an uneconomic remnant. Since the appraisal process is an Agency (State) Activity, an Agency (State) may handle the matter in its appraisals if it prefers..." and "...the Department (Federal DOT) has a greater concern for those owners who must sell an uneconomic remnant to a third party in order to break even, or who must undertake a totally new business in order to take advantage of a changed highest and best use. Both situations described present a significant financial risk to the owner. The Department (Federal DOT) intends that the Agency (State) offer to assume that risk through an offer to purchase the remainder as an uneconomic remnant..."

CREATION OF UNECONOMIC REMNANTS
Uneconomic remnants are most often created when extensive damages are incurred by the remainder, or when there is a change in highest and best use. The creation of uneconomic remnants are not, however, limited to these two situations.
APPRAISER RESPONSIBILITIES

The appraiser shall provide adequate discussion and analysis regarding the utility and value of any remainder so the review appraiser has enough information to determine if a remainder may be classified as an uneconomic remnant. When uneconomic remnants are believed to exist, the appraiser may so state in the discussion of the after value.

REVIEW APPRAISER RESPONSIBILITIES

The review appraiser shall determine if a remainder is an uneconomic remnant. When the review appraiser makes such determination, he or she shall check Item 16 on the Review Sheet (TC 62-87), explain the determination, and include the value of the remnant in the space provided.

The review appraiser shall supply two values in the summary sheet for a parcel with an uneconomic remnant:

1. Just compensation value for the acquisition as determined by the review appraiser
2. Combined just compensation value and after value of the uneconomic remnant
Excess Purchased

**APPRAISER RESPONSIBILITIES**

Appraisers may occasionally find notations on plan sheets stating “Excess Purchased.” The appraiser shall immediately notify the Right of Way Supervisor of the notation. Such plans are incorrect since property cannot be considered “excess purchased” until it has been acquired.

The appraiser shall not consider excess property as a total acquisition for appraisal purposes. Rather, the appraiser shall consider excess property as a remainder that the owner may choose to retain.

**Note:** FHWA does not participate in the funding of excess purchases, so the remainders’ value shall not be included in the total compensation offered.

The appraiser shall include potential excess tracts in the after value, as with any other remainder in the valuation process.

**CABINET RESPONSIBILITIES**

The Cabinet shall advise design engineers and consultants that they shall not use the notation “Excess Purchased.” From a final valuation standpoint, most of these remainders shall become uneconomic remnants.
OVERVIEW

The information provided on TC 62-75 is the basis for the contract appraiser's fee proposal, and greatly influences the type of appraisal report the Cabinet will receive. Therefore, the importance of proper and thorough completion of this form cannot be overemphasized. The Division of Right of Way will use the completed TC 62-75 to ascertain the complexity and format of the appraisal. Any changes in the stated format will be made later on an individual parcel basis.

REMARKS

The "Remarks" column in the main body of the project report shall contain information sufficient for a thorough understanding of the parcel. Abbreviations may be used to save time and space, but shall be readily recognizable. In this column, a brief description of the property shall be included containing number and type of improvements; present use of the property; current zoning; improvements acquired; and, physical changes, such as grade, access, right of way proximity, physical effects of easements, and site improvements affected.

In some cases (particularly commercial and industrial) including occupancy of the improvements is extremely helpful. For example, "1-S-masonry business" is not nearly as descriptive as "1-S-masonry business occupied as McDonald's Restaurant."

The possibility of damage shall not be stated as if it is fact (such as "proximity damage to residence" or "severance damage exists"). Rather, it shall only be described as is (such as "new right of way acquires 40% of front yard," "right of way severs cropland into three tracts," or "very small, irregular shaped severance right"). The appraiser shall make a precise determination in the field.

Therefore, it is vital to exclude any statements that predetermine damage when advising the appraiser of the perceived, severe impact of the acquisition. The qualified person shall remember that these are capsule descriptions of the acquisition's effect on each property. While they shall not be lengthy narratives, neither shall they be too brief.
REMARKS (CONT.)

It is highly recommended that all parties (including the project report preparer and Right of Way staff) conduct a joint project inspection before the project report is completed.

COMPLEXITY RATING

The next column is "Complexity Rating." There are only three options:

1. **BV (Before Value only).** This rating is used when only a before value is necessary and there is no after value, as in the case of a total acquisition.

2. **BAV (Complete Before Value and Complete After Value).** This rating is used on partial acquisitions that present a complex appraisal problem. Under this rating, the appraiser shall complete both a fully supported before value, as well as after value, using all relevant approaches to value.

3. **MINOR (Minor acquisitions only).** This rating may be used for either partial or total acquisitions as the situation dictates. In partial acquisitions, a minor complexity rating is a simple strip acquisition, an acquisition of inexpensive sheds or outbuildings, an acquisition that is not complex, or a combination of any of these.

   Also, a minor rating may be used for temporary easements (rental value only) when there is no change in physical characteristics of the property that would affect its after value (rental value only), or a permanent easement that does not reduce the value of the remainder more than the fee value of the area acquired in permanent easement.

   If improvements are obviously not affected by the minor acquisition and their value can be estimated, the appraiser shall be advised of that under the remarks column. There shall be some logical basis for these estimated values, such as assessed value, insured value, or abbreviated cost analysis, just to name a few.

RECOMMENDED FORMAT

Under the column “Recommended Format,” there are three options:

1. **TC 62-20.** This format provides for all three approaches to value, as applicable, in both the before value and the after value.

2. **NARRATIVE.** This format will be used infrequently and only in unusual circumstances where the TC 62-20 is not well adapted to the appraisal problem.
3. MINOR ACQUISITION REVIEW (MAR). These are for minor acquisitions and are not prepared by appraisers, but by other agents. Although not appraisals, they shall be noted by the qualified person preparing the project report to maintain the total parcel count.

**Note:** "Complexity Rating" and "Recommended Format" are separate and distinct. Any one format is not automatically associated with a particular rating. First, the rating shall be ascertained, keeping in mind what approaches to value shall be applicable and how best to address the appraisal problem. Second, a format shall be recommended that allows the appraiser to approach the problem and complete the report in that manner.

**MAJOR & MINOR ACQUISITIONS**

There are two categories of acquisitions: “Major,” which falls under the complexity rating BV or BAV; and “Minor,” as described under complexity rating.

**SECTION 3 – PROJECT REPORT COVER SHEET**

Under Section 3 of the project report cover sheet, the qualified person shall give the appraiser an overview of the assignment, including general problems that may be encountered and how those problems might be addressed. The qualified person may also use this space to describe unusual circumstances for individual parcels.
Cost estimates are included in administrative decision-making and the establishment of project funding. An estimate, by definition, is "to produce a statement of the approximate cost of" and, therefore, does not entail the detailed data collection and analysis involved in an appraisal. However, since many facets of a project are based on estimates, a concerted effort must be made to make them as precise as possible.

Right-of-way cost estimates fall into one of five classes which shall be noted on the estimate and submitted on TC 62-203, *Right of Way Cost Estimate*.

- **Class A.** Parcel-by-parcel estimate of right of way and relocation costs, plus administrative and court costs, based on complete right-of-way plans for programming purposes

- **Class B.** Parcel by parcel estimate of right of way and relocation costs, plus administrative and court costs, based on joint inspection plans

In Class A and B estimates, the parcel-by-parcel requirement refers to the appraiser’s estimation method and does not need to be included in the submitted estimate. However, the appraiser’s field notes shall reflect the parcel-by-parcel dollar estimate in the event it is requested.

- **Class C.** Right-of-way acreage costs and damages plus improvements, relocation assistance, administrative and court costs (with approximate number of parcels) based on plans available for preliminary line and grade inspection

- **Class D.** Right of way acreage costs and damages plus improvements, relocation assistance, administrative and court costs (with approximate number of parcels) based on limited studies of quad sheets, aerial photos, etc.
Class E. Based on pre-study estimate

All estimates are prepared on the Right of Way Cost Estimate Form. However, many estimates now being prepared are Class D and E and will not provide all the information (other than by guess) required. Contingent and limiting conditions in the estimate shall be noted on the estimate or kept in the field notes. For alternate line or scoping estimates, it is not necessary that a fully qualified appraiser prepare the estimate.

District offices shall provide fee appraisers with estimated relocation, environmental cleanup, administrative, and court costs.
Many appraisals necessarily include the replacement, restoration, relocation, or modification of improvements, as well as site improvements such as paving, fencing, septic systems, water lines, gas lines, signs, and fixtures. When these situations are of a complexity beyond the expertise or experience of the appraiser, it is prudent to seek the assistance of individuals or businesses with a working knowledge of the specific concern.

Note: Damage to the property shall equal or exceed the amount of curable obsolescence; otherwise, the appraiser shall base compensation on the contributing value of the item.

If the cost or value is less than $1,000, the appraiser may choose either to personally compile the data and cost estimate, or enlist the services of an expert. The use of specialists or contractors is encouraged where practical. Property owners are often skeptical of estimates derived from cost manuals and frequently are more receptive to written estimates when they can be assured that a local contractor will actually perform the work for the specified amount. In addition, experts are more likely to recognize significant factors or problems of which the appraiser is unaware.

When the estimated cost or value exceeds $100,000, two written estimates prepared by experts other than the appraiser are required. The appraiser shall attach these estimates to each copy of the appraisal submitted. Although no standard format is required, written estimates shall be detailed enough for the reviewer to ascertain the basic components of cost or value. Estimates shall also specify the salvage value, if applicable.
PAYMENTS FOR EXPERT ASSISTANCE

Experts or contractors providing estimates shall be paid for their services. Although they often offer to make minor estimates or valuations for free, they are less likely to feel obligated to perform in a timely or diligent manner if not paid.

Fee appraisers shall anticipate the need for such services and prepare contract proposals accordingly. Unless prior arrangements are made, the Department of Highways shall not bear the cost of hiring other experts.
The suspected presence of asbestos, hazardous materials, and USTs is usually detected initially by the appraiser since he or she is typically the first to fully inspect the property. If the appraiser suspects the presence of asbestos or other hazardous material on a property, he or she shall immediately notify the District Right of Way Supervisor. Additionally, the appraiser shall note in the appraisal report (or a separate attachment) the suspected presence of the material, type, and location, as well as how the project may affect the material. Since the presence of asbestos or other hazardous substance is often only suspected at this stage, it shall not be reflected in the valuation process.

During the property owner interview, the owner may reveal the presence of substances that were not readily apparent during a thorough inspection (such as, underground fuel tanks). At other times, the presence of hazardous substances (such as, asbestos siding) may be fairly obvious.

It is not the intent of this policy to increase the appraiser's liability in identifying asbestos or hazardous waste; rather, it is meant to provide additional lead time to properly handle these situations. It is Division policy to appraise all properties as "clean," assuming no hazardous materials or contamination present. The economic effect of the presence of hazardous materials or contamination shall be addressed administratively at a later stage in the acquisition process.

Appraisers should take extra care when appraising the following properties, as they are possible generators of hazardous substances: dry cleaners, beauty salons, creosote operations, metal plating operations, service stations with buried fuel tanks, and film processing establishments.
POSSIBLE SOURCES OF HAZARDOUS SUBSTANCES (CONT.)

Appraisers should also take note of properties that involve any of the following operations, processes, or activities as they are likely to generate hazardous wastes and to have chemical or fuel storage facilities on-site:

- Repair and maintenance of motor vehicles (automobiles, aircraft, trucks, construction equipment, RVs)
- Electroplating and other metal manufacturing and fabricating operations
- Metal finishing, refinishing and etching (auto body, printed circuit board manufacturing, jewelry, fabrication)
- Operation or repair of printing and reproduction equipment
- Dry cleaning and laundry services
- Photographic processing and printing
- Analytical laboratory operations
- Provision of home, industrial, or commercial pest control
- Chemical manufacture, formulation, or processing
- Warehouse operations
- Manufacture, formulation, or processing of pesticides, agricultural products, or chemicals
- Home, garden, pool, or agricultural supply manufacturing
- Textile manufacturing (including fabric dyeing and finishing)
- Manufacture, refinishing, or stripping of furniture or wood products
- Cosmetic manufacturing or processing
- Chemical treatment of lawns, gardens, yards, or provision of other landscape and tree services
- Pressure treating or preserving wood products
- Building and repair boats
- Production and repair of shoes
- Paint formulation and mixing
- Metal galvanizing
- Drum, barrel, and tank reconditioning
- Battery manufacturing, rebuilding, or recycling
- Solvent recycling
- Scrap metal and junk yard operations
- Chemical and petroleum product storage facilities (both above and underground tanks, as well as flammable storage rooms)
- Landfills
- Receive bulk deliveries of raw or processed materials
- Lessor or renter of vehicles, maintain fleet operations, rent equipment
- Product distribution, consolidation, and shipping operations
POSSIBLE SOURCES
OF HAZARDOUS
SUBSTANCES (CONT.)

- Waste or spent product incineration
- Nursery and greenhouse operations
- Schools, auditoriums, and other facilities with large heating requirements
- Recycling facilities
APPRAISAL GUIDELINES

Chapter
GENERAL APPRAISAL

Subject
Plan Revisions

OVERVIEW
Appraisers frequently encounter situations requiring a revision of the right of way plans because it is required or it appears to be in the best interest of the KYTC. The most common situations involve a "sell-off" of a portion of the subject property or an assemblage of other property that has occurred since the plans were approved. It is also possible that new construction or removal of improvements not indicated by the available plans may also have occurred, or an error in spotting improvements on the plans is found.

PROCESS FOR PLAN REVISIONS
Upon determining that a plan change may be needed, the appraiser shall immediately notify, in writing, the Right of Way Supervisor or project manager for the project. The notification shall include an explanation of the situation and the recommended solution. By following this procedure, the appraiser will expedite a resolution of the problem and maintain documentation of any delay in completing the appraisal. The appraiser shall be advised of the proper course of action as soon as a decision is made.

Note: A change in the appraisal assignment or re-negotiation of appraisal fees may be necessary.

When plan changes are made subsequent to submission of the appraisal, the assigned review appraiser may make the necessary revisions in the appraisal review. Revisions shall include a clear analysis and discussion of the effects of the change. Substantial changes in the appraisal problem may require a revised appraisal.

When a reasonably feasible plan revision will significantly reduce damage to the property and expenditure of funds by the Department, the appraiser is encouraged to notify the assigned review appraiser or Right of Way Supervisor for the project.
Examples include relocation of entrances, movement of right-of-way lines, and reduction of easements. These types of actions are sometimes taken during negotiations; however, the appraiser is usually aware of these situations and has the earliest opportunity to propose solutions. Although the final decision in these engineering problems does not rest with the appraiser, he or she may offer valuable assistance in this area.
The division offers appraisal work assignments to prequalified fee appraisers under a project contract or a Statewide Master Agreement. Typically, assignments are made after an appraiser has been selected by the Appraiser Evaluation Committee and has submitted an acceptable fee proposal. The Appraiser Evaluation Committee consists of:

- Division’s Appraisal Manager
- Member of the Central Office appraisal staff
- District Right of Way Supervisor or his or her designee

The Transportation Cabinet’s personal service contracts typically call for the personal services of an individual contractor who shall have no authority to transfer, assign, or delegate any of the obligations assumed in the contract. Each appraiser’s assignment is based upon the experience, training, judgment, ability, and competency of the contractor.

If appraisals are received based on the analysis of supporting data made by someone other than the contractor, the Transportation Cabinet is not receiving the personal service it contracted for. This does not preclude an associate or employee from gathering raw field data and information. However, the analysis of market data, value conclusions, and contacts with property owners are expected to be the work of the individual under contract.

Prime contractor status also requires the appraiser to inspect each subject property and comparable sale, and to contact each property owner on the project as certified by the appraiser in the appraisal report.

If the appraiser identifies property changes affecting the scope of work, appraisal format, or fee after beginning work on an appraisal assignment, he or she shall seek approval for the change in writing from the Central Office appraisal manager.
CHANGE IN SCOPE OF WORK (CONT.)

The change request shall identify the reason for the change and possibly request an adjustment in the fee. The appraisal manager shall approve or disapprove the requested change, and may also suggest an alternative.

Note: Payment for changes cannot be made unless Central Office has granted prior approval.

APPRAISAL SUBMISSIONS

The appraiser shall submit data books and appraisal reports to the District Office as stipulated in the assignment.

INVOICES

Appraisers may submit invoices to the District Office any time after the work is completed, as set out in the contract. Invoices shall reflect fees for individual parcels, as well as the percentage invoiced.
**OVERVIEW**

The appraiser’s initial contact with a subject property owner is a significant part of the right of way acquisition process. Quite often, appraisers constitute the first encounter a property owner has with an official representative of the Cabinet, and are the first to have specific knowledge and information about the proposed project's effect on the subject property. The appraiser’s sincerity and thoroughness frequently influence the property owner's attitude toward the remainder of the acquisition process, and promotes confidence that the owner’s interests will be properly served.

**PROPERTY OWNER INTERVIEW (TC 62-19)**

TC 62-19, *Property Owner Interview*, is a valuable aid in addressing the property owner's concerns, as well as their assessment of the appraisal phase of the right-of-way process. Appraisers, both staff and fee, shall explain the acquisition in detail and until the owner is satisfied with the explanation and has no further questions.

Appraisers shall complete the heading information at the top of the form, and fill in their name near the bottom. The appraiser shall give the form and a return envelope to the owner or their representative at the time of inspection. Form TC 62-19 may be accessed on the KYTC website under the Division of Right of Way Appraisal Branch. The envelopes are the same ones used for the Property Owner Surveys.

The appraiser shall also provide all property owners or designated representatives with an informational booklet: *Answers to Questions About Right of Way Acquisition*. Prior to contacting property owners, the appraiser shall obtain a sufficient number of booklets to cover the assignment from the Right of Way Supervisor responsible for the project. TC 62-19, *Property Owner Interview*, contains an evidential statement that the appraiser has furnished the property owner a copy of this booklet.
If the owner does not occupy the property, the appraiser must make contact with the owner either in person (if he or she resides in the general area) or by registered mail (if he or she resides out of state or a long distance from the project area). In the case of registered mail, the appraiser shall include a return, postage-paid envelope for response.
OVERVIEW

It is preferred that the appraiser use the direct sales comparison method for damage analysis; however, the appraiser may face a lack a sufficient quantity or variety of data to confidently predict the amount of damage to affected properties.

Damage studies can be very helpful when there is inadequate market data available to make direct sales comparisons in estimating after values. A carefully developed and properly applied study can be employed in estimating damages to several parcels that are affected to varying degrees. This will provide a consistent and systematic method of estimating after values on any project.

FORMAT

No specific format is required, which allows the appraiser latitude in creating a damage study. Since the comparable sales report is a part of each appraisal, the analysis, conclusions, methods, procedure, and supporting data must be included as a separate section in the comparable sales report. The appraisal report shall include an explanation of the specific effects on the subject remainder, how this relates to the findings of the study, and the resulting conclusion or estimate of damage.

CONDITIONS OF USE

The review appraiser shall approve the damage study and its conclusions prior to submission of appraisals in which it is applied. It is unacceptable to submit analyses based on undamaged, after value estimates taken from previously submitted appraisals.

No limitation is placed upon the "age" of comparable sales used; however, economic conditions and the expectations of market participants for the study period and the current date of appraisal must be highly similar. Back-to-back sales of the same property or comparable sales used in paired sales analysis shall have occurred within a 5-year span.
CONDITIONS OF USE
(CONT.)
The appraiser may use studies developed by others and previously found acceptable; however, the appraiser must provide an analysis that demonstrates the appropriateness of the study or sales used, as well as the validity of the conclusions for the current project. Failure to relate the study to the current project will result in rejection of the appraisals in which it is used.

POTENTIAL DAMAGE-CAUSING EVENTS
The purpose of any damage study is to measure the permanent loss in value to a remainder, beyond the simple loss of the portion of the property acquired. Numerous circumstances may cause permanent damage. Among the most common are proximity of improvements to the proposed right of way, changes in grade, triangulation, over improvements, landlocked, physical alterations in easements, and encumbrances by permanent easements. Proximity, cuts, fills, and landlocked properties are those that typically necessitate large-scale studies.

USING COMPARABLE SITUATIONS
The appraiser is required to measure the value of the subject property immediately before the acquisition and immediately after the acquisition, considering the road complete. Therefore, any damage study necessarily involves comparing situations that are similar to subjects before the road is built, with those which are similar to subjects after the road is built.

The most common method used is research of areas surrounding completed highway projects. It is not imperative, however, that the loss in value attributable to the effect being measured to be caused by a previous highway project. For instance, paired sales analysis of comparable properties within any neighborhood where the appraiser finds varying house setbacks, shall indicate the extent of market reaction to proximity of a house to the right of way.

BACK-TO-BACK SALES ANALYSIS
The purest and most reliable comparative situation is the back-to-back sale of a property where one sale occurred prior to an acquisition and resale occurred soon after the acquisition. In such a case, the appraiser shall report and adjust for any factors other than the effect being measured that would affect the property's value. This may include remodeling, construction of a garage or room addition, severe physical deterioration, or market conditions.
Paired-Sales Analysis

Paired sale analysis is another useful method. Lacking back-to-back sales, or in supplement to them, highly similar properties may be compared to isolate the loss in value attributable to the effect being measured. Obviously, the more similar the paired sales, the less potential for error. This method requires very careful analysis and adjusting. Furthermore, it allows cross-comparison of a variety of sales, which may expand the number of comparative situations available for study.

The sales data collected and used in damage studies is subject to the same requirements as comparable sales used in appraisals. The appraiser must compile, verify, analyze, and present the information to the same degree and detail as normally required. Again, the sale dates of back-to-back and paired sales must be no greater than five years apart. The appraiser shall document any general increase or decrease in property values over the period between sales.

Developing the Damage Analysis

Appraisers shall develop their own studies whenever possible. It is extremely important that the property types and economic influences in the study area and current project area are very similar. Appraisers shall ensure that changes in value are not caused by transition to other uses or general changes in the character of the neighborhood.

Visual Aids & Complex Statistical Analysis

Although no specific analytical process or format is required, appraisers shall present the data, narrative explanations, and conclusions in a clear and straightforward manner. The use of visual aids, such as graphs and charts, are very helpful and their use is encouraged. Technology makes it possible to employ complex statistical analyses, but does not relieve the appraiser of the responsibility of fully explaining the methods used. The appraiser shall demonstrate the uses of any technology upon request by the assigned review appraiser.
APPRAISAL GUIDELINES

Chapter

GENERAL APPRAISAL

Subject

Personal Property and Fixtures

PERSONAL PROPERTY

The Cabinet rarely finds it necessary to acquire personal property. However, the Department of Highways is required to pay for relocation of an owner's or tenant's personal property due to acquisition or damage of the improvement in which it is located.

In many cases, especially residences, the appraiser can easily identify personal property. In other cases, the appraiser must describe personal property in detail so the Department's relocation section is able to distinguish it from real estate or fixtures included in the acquisitions appraisal. This is especially true in properties such as restaurants, "C" stores, service stations, and other commercial properties. The appraiser shall not place a value on the personal property when identifying it as separate from the real estate and fixtures.

Federal Law states in 49CFR, Part 24.103, that appraisal requirements include "an adequate description of the physical characteristics of the property being appraised .... INCLUDING ITEMS IDENTIFIED AS PERSONAL PROPERTY." The appraiser may comply with this requirement by identifying in detail all items considered real estate or fixtures that have been included in the appraised value. By exclusion, the appraiser shall consider all other items to be personal property, and shall include a statement to that effect in the appraisal report.

FIXTURES

The generally accepted definition of a fixture is, "an item that was once personal property but has become so affixed to the real estate that the law would now consider it to be real estate." For such an item to be considered a fixture, and therefore real estate, the following tests are usually applied:

- Manner of annexation to the real estate
- Adaptability to the improvement's use
- Intention of the parties involved
- Existence of a contractual agreement
FIXTURES (CONT.)

An item is probably a fixture if one of the following conditions is present:

➤ The item is attached to the improvement in such a way that its removal would damage either the improvement or the item.
➤ The item has been adapted to the improvement's use.
➤ The parties intended for the item to remain.
➤ An agreement between the parties stipulates that the item is a fixture.

Oftentimes, appraisers are responsible for deciding if an item is personal or real estate. The foregoing tests for determining an item’s status are only general guidelines. Should the appraiser require additional assistance regarding the classification of an item, he or she shall call the review appraiser assigned to the project.

SATELLITE DISHES & ABOVE GROUND POOLS

Satellite dishes and above ground pools belonging to the owner of the land shall be included in the appraisal and purchased.

In cases where the landowner and the owner of a satellite dish or above ground pool are not the same, the appraiser shall consider the items to be personal property, omit them from the appraisal, and refer them to the Relocation Assistance Program for processing (AG-509).
In instances when a new right of way acquires a gas or oil well, the Cabinet purchases only the well bore, casing, and well head equipment, not the underground reserves. However, compensation may include any damage to the reserves.

The appraiser shall provide a salvage value analysis of the well and equipment, including the cost to close or plug the well. As previously stated, compensation includes the value of the well and plugging only, not the value of any interests in reserves or production.
In Kentucky, the right of eminent domain is a constitutionally recognized right belonging to the state, which is generally recognized as superior to all other property rights in the Commonwealth.

**KRS 381.010** provides:

“The Commonwealth of Kentucky is deemed to have possessed the original, and has the ultimate property in and to all lands within her boundaries.”

Eminent domain is defined in **KRS 416.540(6)** as:

“The right of the Commonwealth to take for a public purpose and shall include the right of private persons, corporations or business entities to do so under authority of law.”

Although the Commonwealth has reserved the right of eminent domain by constitution (Ky. Const. § 195) and by statute (**KRS 381.020**), it is regarded as an inherent, sovereign right independent of constitutional or statutory authority. See *Foley Constr. Co v. Ward*, 375 S. W. 2d 392, 393 (Ky. 1963); *Cornwell v. Central Kentucky Natural Gas Co.*, 249 S. W. 2d 531, 533 (Ky. 1952); and **KRS 416.550 & KRS 177.081** (necessity for condemnation).

**DELEGATION OF AUTHORITY**

The Commonwealth has the power to delegate the right of eminent domain to municipalities, agencies, counties, and corporations that perform duties or provide services of a public nature. See Ky. Const. § 242 and *Craddock v. University of Louisville*, 303 S. W. 2d 548, 550 (Ky. 1957).

Specific grants of the power may be found in the Kentucky Revised Statutes, including the following:

- Cities- **KRS 82.082**
- Highways- **KRS 177.081**
- Airports- **KRS 183.120** and **183.490**
Delegation of Authority (cont.)

- Utilities- KRS 74.090 (water); 76.110 (sewers); 278.502 (gas company); 278.540 (telephone); 416.130 (dams and electric power)
- Urban Renewal- KRS 99.725
- Housing Authorities- KRS 80.150
- Railroads- KRS 416.010
- Parks and Recreation- KRS 97.257
- Solid Waste Management- KRS 109.041
- University of Kentucky- KRS 164.260
- University of Louisville and Municipal Colleges- KRS 165.195
- County Roads- KRS 178.120
- Emergency Powers of Governor- KRS 39A.100

Condemnation Categories

Condemnation of property typically falls into one or more of the following categories:

- Total taking (the taking of an entire piece of property)
- Partial taking (the taking of portion of a piece of property)
- Taking of another interest (condemnation of a lease)
- Temporary partial taking (property temporarily needed for a public project and the condemner is obligated to pay a rental fee)
- Condemnation for an easement

Public Purpose and Public Use

KRS 416.540 refers to the phrase “public purpose” as the standard for supporting a taking of private property. However, Kentucky’s highest court has emphasized that under §13 and §242 of the Kentucky Constitution, private property can be taken only for “public use,” a much stricter standard than the public purpose requirement commonly used to justify state taxation. See City of Owensboro v. McCormick, 581 S. W. 2d 3, 7 (Ky. 1979), which invalidated the Kentucky Local Industrial Authority Act (giving municipalities the unconditional right to condemn private property for transfer to private industrial or commercial interest); Chesapeake Stone Co. v. Moreland, 104 S. W. 762 (Ky. 1907); and, City of Bowling Green v. Cooksey, Ky., App., 858 S.W.2d 190 (1992).

The determination of a “public purpose” is decided by the judiciary while the “necessity” for the exercise of the power of condemnation is generally decided by the legislative branch [Idol v. Knuckles, Ky., 383 S.W.2d 910 (1964)]. In every Kentucky case, the Condemner must meet a two-prong test of “necessity” and “public purpose” [Profitt v. Louisville & Jefferson County Metropolitan Sewer District, Ky., 850 S.W.2d 852 (1993)].
The Kentucky Constitution mandates that one whose property is taken by the exercise of eminent domain power is entitled to just compensation:

“[N]o man’s property [shall] be taken or applied to public use without the consent of his representatives and without just compensation being previously made to him.” (Ky. Const. § 13; see also Ky. Const. § 242)

The due process clause of the United States Constitution is to like effect. (See U.S. Const., Amend. V.)

Generally, “just compensation” is the fair market value of the property at the time of the taking [Commonwealth, Dept. of Highways v. Congregation Anshei S’Fard, 390 S. W. 2d 454, 455 (Ky. 1965)]. In determining fair market value, Kentucky statutory and case law utilizes the “before and after” rule. Commonwealth Dept. of Highways v. Sherrod, 367 S. W. 2d 844, 847 (Ky. 1963). KRS 416.660(1) codifies the Sherrod standard:

“There shall be awarded to the landowners as compensation such a sum as will fairly represent the difference between the fair market value of the entire tract, all or a portion of which is sought to be condemned, immediately before the taking and the fair market value of the remainder thereof immediately after the taking.”

Kentucky Courts have defined “fair market value” as, “the price which it will bring when it is offered for sale by one who desires to sell but is not compelled to do so, and is bought by one who desires to purchase but is not compelled to have it.” [Commonwealth Dept. of Highways v. Darch, 374 S. W. 2d490, 491-92 (K. 1964)]
PERMANENT EASEMENTS

There is no statutory definition of the compensation for a permanent easement. The effect can be very adverse to the continued use of the property or its future development. A good appraiser can analyze this effect. A commonly used approach is to estimate land damage between 50%-90% of the fee simple value.

TEMPORARY EASEMENTS

The appropriate compensation for a temporary easement is the fair rental value of the area taken (KRS 416.660). Establishing this value can be cumbersome and expensive. Therefore, the value of a temporary easement will usually be agreed upon to prevent unnecessary appraisal costs.

PERSONAL PROPERTY

The compensation for the taking of personal property is the same as the measure of damage for destruction: the fair market value at the time and place of the taking or, if the personal property is damaged but not destroyed, the difference between its fair market value immediately before and after the injury. See Rudd Const. Equip. Co. v. Clark Equip. Co., 735 F.2d 974 (6th Cir. 1984); Hayes Freight Lines, Inc. v. Hamilton, 257 S. W. 2d 60 (Ky. 1953); Ecklar-Moore Express, Inc. v. Hood, 256 S. W. 2d 33 (Ky. 1953); Louisville & N.R. Co. v. Lankford, 200 S. W. 2d 297 (Ky. 1947); and, Trevillian v. Boswell, 43 S. W. 2d 715 (Ky. 1931).

LEASEHOLD INTEREST

Whether a lessee of real property has a compensable interest in real property taken by condemnation is often determined by the terms of the lease. However, many leases contain a condemnation clause or provision that terminates the lessee’s possessory interest in the event of a taking, thereby reserving the entire award to the landlord.

In the absence of a lease provision addressing condemnation by a public authority, the lessee bears the burden of proving a loss. The mere fact that a lessee had a leasehold interest in the condemned property does not prove a compensable loss. City of Ashland v. Price, 318 S. W. 2d 861, 863 (Ky. 1958), overruled in part Commonwealth Dept. of Highways v. Sherrod, 367 S. W. 2d 844 (Ky. 1963). The lessee must show that the fair market value of the lease is greater than the rent paid under the contract [City of Ashland v. Kittle, 347 S. W. 2d 522, 524 (Ky. 1961)]. The lessee is not entitled to compensation for damages to the leasehold [Commonwealth Dept. of Highways v. Sherrod, 367 S. W. 2d 844, 848-50 (Ky. 1963)].

The procedure for determining damages to leasehold interests was established by the Kentucky Court of Appeals in Commonwealth Dept. of Highways v. Sherrod, 367 S. W. 2d 844 (Ky. 1963).
First, the jury determines the fair market value of land as a whole, prior to the taking, and free of the lease. Then the jury determines the value of the land subject to the lease. If the latter value is the same or more than the former value, the lease has not impaired the market value of the land and the lessee has no compensable interest.

If the value of the land subject to the lease is less than its value free of the lease, the difference in value divided into the value of the land fee of the lease represents the proportion of the total award that should be allocated to the lessee [Id. At 850; see also 2 John S. Palmore & Ronald W. Eades, Kentucky Instructions to Juries § 41.03 (1989); Annotation, Eminent Domain: Measures and Elements of Lessee’s Compensation for Condemner’s Taking or Damaging of Leasehold, 17 A.L.R.4th 337 (1982)].

**Highest and Best Use**

The courts have said that highest and best use is defined as, “the use to which men of prudence and wisdom, having adequate means, would devote the property if owned by them” [Robinette v. Commonwealth Dept. of Highways, 380 S. W. 2d 78, 83 (Ky. 1964)].

The determination of highest and best use is a critical consideration that the appraisal report shall identify, as it represents the premise upon which value is based.

While there are many factors the appraiser must consider when identifying highest and best use of a property, he or she shall include “the reasonably probable and legal use that is physically possible, appropriately supported, financially feasible, and that results in the highest value.”

Additionally, answers to the following questions are essential when determining the highest and best use for a parcel of land:

- Is it physically possible?
- Is it legally permissible?
- Is it financially feasible?
- Is it maximally productive?
Kentucky courts generally recognize that property owners are entitled to compensation based on the highest and best use of the property [Commonwealth, Dept. of Highways v. Ramsey, Ky., 388 S.W.2d 610 (1965)]. Usually, the actual use made of the property should be used by experts in their valuations unless there is a probability of a higher use in the future [Sloan v. Commonwealth, Dept. of Highways, Ky., 405 S.W.2d 294, 296 (1966)].

The comparable sales, or market approach, is the most common method of valuation [Stewart v. Commonwealth, 337 S. W. 2d 880, 883 (Ky. 1960)]. It bases valuation on a comparison with other property sales similar in time, quantity, and quality to the property being appraised [Commonwealth Dept. of Highways v. Taylor, 400 S. W. 2d 688, 689 (Ky. 1966)].

Key factors in determining the degree of comparability include:
- Actual sale price (not the listing price)
- Physical characteristics
- Property location
- Financing terms of the sale

The capitalization of income method is typically applied to income-producing properties and is based on the notion that a property’s value can be shown by the income that can be realized from it. It is important to remember that the income approach considers only the income produced by the property, not the income produced by a business located on the property. Anticipated future income or reversions are discounted to a present worth figure through the capitalization process.

Kentucky courts consider the cost approach to be a less reliable method of appraisal than the comparable sales or income approaches.
COST APPROACH
(CONT.)

The cost approach is most often applied with properties that are unique or rarely the subject of market transactions, such as public buildings, railroads, or churches [Commonwealth Dept. of Highways v. City of Winchester, 431 S. W. 2d 707 (Ky. 1968); Commonwealth Dept. of Highways V. Congregation Anshei S’ Fard, 390 S. W. 2d 454 (Ky. 1965); 2 John S. Palmore & Ronald W. Eades, Kentucky Instructions to Juries § 41.05 (1989)].

EFFECT OF PROJECT ON VALUE

Appraisers shall disregard any change in fair market value of the property due to the general knowledge of imminence of the public project, or to the construction of the project, when determining just compensation [KRS 416.660(2); Commonwealth Dept. of Highways v. Gibbs Enterprises, Inc. 437 S. W. 2d 763. 765-766 (Ky. 1969)].

Thus, the condemning agency shall not be required to pay an enhanced price that its demand alone has created, for such a price does not reflect what a willing buyer would pay a willing seller in a fair market [United States v. Cors, 337 U.S. 325, 333-334 (1949)]. Conversely, the property owner shall not be penalized for any diminution in value attributable to the project [United States v. Reynolds, 397 U.S. 14, 16-18 (1970)].
APPRAISAL GUIDELINES

Chapter
CONDEMNATION AND RIGHT TO TAKE

Subject
Access to Property

AUTHORITY
The Kentucky Eminent Domain Act authorizes the condemner to enter the land and any improvements it has the power to condemn, as well as to survey or appraise the property [KRS 416.560(4)]. The Act also authorizes the appraiser to conduct environmental testing and studies. Entry may be made prior to the filing of the condemnation petition, provided the party in whose name the property is assessed has been notified ten days in advance of entry. If the property owner objects, a motion may be made to the court for an order directing entry. The property owner may recover from the condemner any actual damages sustained.

ACCESS TO PUBLIC ROAD
To gain ingress and egress to a public road, the owner of a tract upon which a residence is located may acquire by condemnation a right of way “to attend courts and elections and discharge other duties required of him by law” (KRS 416.350).

LOSS OF ACCESS
There is no recovery for loss of access or change in access so long as the landowner has a reasonable means of access to his or her property. [Commonwealth Dept. of Highways v. Nantz, 421 S. W. 2d 579 (Ky. 1967)].