



2.3 - EMINENT DOMAIN APPRAISAL REPORTING

2.3.1 - Appraisal Reporting Standards

The Uniform Act directs that appraisals must be performed for federal or federally assisted real property acquisitions. The definition, and requirements for the preparation of, an appraisal have been codified under 49 CFR Part 24.2(a)(3), and 49 CFR Part 24.103(a)(1) through (5). Wisconsin State Statutes have also established requirements for the use of RE appraisals for the acquisition of property under the threat of eminent domain, and how those appraisals should be developed and reported. In addition to meeting the requirements set forth in the CFR, and state statute, eminent domain appraisals prepared for the WisDOT must also adhere to the development and reporting standards established under the USPAP. USPAP has been written with sufficient flexibility to allow the appraisers performing eminent domain appraisal work to adhere to federal and state regulations and laws, while still meeting professional appraisal standards. To assist staff appraisers and appraisal consultants meet the federal and state requirements for eminent domain appraisals, as well as the professional standards established under USPAP, WisDOT has developed the appraisal reporting standards contained in this section of the REPM.

While REPM Ch. 2, in general, and REPM Section 2.3, specifically are intended to be consistent with federal regulations, state laws and professional appraisal standards, the appraiser is ultimately responsible for meeting his or her legal requirements and professional obligations.

2.3.2 - Appraisal Report Formats

The department accepts the following three reporting formats for appraisals prepared for eminent domain:

- Appraisal Report - Short Format (RE1005)
- Appraisal Report - Standard Abbreviated Format
- Appraisal Report - Standard Detailed Before and After Format

According to USPAP Standard 2-2, each appraisal must identify whether it is an appraisal report or a restricted appraisal report. The above reporting formats are all considered to be appraisal reports, as defined by USPAP. WisDOT does not accept restricted appraisals.

The following matrix identifies the property type and acquisition (partial or total taking) where each of the above appraisal reporting formats are appropriate. The property types referenced in the matrix are defined and discussed in REPM/Subsection 2.1.3:

Appraisal Reporting Format Matrix	Partial Acquisition	Total Taking	Nominal Payment Parcel Report	Short Format (RE1005)	Standard Abbreviated Format	Detailed Before and After Format
	Acquisition	Reporting Format				
Nominal w/Appraisal Waiver	X		•			
Nominal wo/Appraisal Waiver	X			•		
Intermediate	X			•		
Intermediate		X		•		
Intermediate Improved	X				•	
Intermediate Improved		X			•	
Major	X					•
Major		X			•	
Major Improved	X					•
Major Improved		X			•	
Complex	X					•
Complex		X			•	
Complex Improved	X					•
Complex Improved		X			•	

The following summary addresses which valuation reporting formats are appropriate for the individual property types, and is a restatement of the above matrix:

- Nominal Payment Parcel Report (Waiver Valuations*):
 - Nominal parcels where the property owner has waived their right to an appraisal
- Appraisal Report-Short Format
 - Nominal parcels where the property owner has not waived their right to an appraisal
 - Partial acquisitions from intermediate parcels
 - Total takings of intermediate parcels
- Appraisal Report-Standard Abbreviated Format

Acquisition Type	Parcel Type	Impacts
Partial	Intermediate Improved	The after-condition impacts will be minimal and should not require significant analysis.
Total	Intermediate Improved	No after-condition
Total	Major	No after-condition
Total	Major Improved	No after-condition
Total	Complex	Even though the before condition will require the reporting of extensive analysis, there is no after condition to report.
Total	Complex Improved	Even though the before condition will require the reporting of extensive analysis, there is no after condition to report.

- Appraisal Report-Standard Detailed Before and After Format

Acquisition Type	Parcel Type	Impacts
Partial	Major	The after-condition will reflect significant changes to the larger parcel and severance damages may result
Partial	Major Improved that removes the primary building improvements and result in a vacant remainder	The after-condition will reflect significant changes to the larger parcel and severance damages may result.
Partial	Complex	The after-condition will reflect significant changes to the larger parcel and severance damages may result
Partial	Complex Improved	The after-condition will reflect significant changes to the larger parcel and severance damages will result.

*Waiver Valuations are not appraisals and are not included in REPM/Section 2.3. Waiver valuations will be addressed in REPM/Section 2.5. Waiver valuations are included in the above summary (matrix) to address their role as a valuation option and how they fit with the appraisal formats available.

Each of the above appraisal report formats, and their appropriate use, will be addressed in REPM/Subsections 2.3.3, 2.3.4 and 2.3.6.

Appraisal report formats and analysis issues associated with appraising surplus property are covered in REPM/Subsection 6.5.7.

2.3.3 - Appraisal Reporting Standards - Detailed Before and After Format

The Appraisal Report - Detailed Before and After Format is the appropriate eminent domain appraisal reporting format when dealing with parcels involving partial acquisitions from major, major improved, complex and complex improved property types. These property types require a high level of analysis and reporting for all sections of the content of the appraisal report. The Appraisal Report - Detailed Before and After format is based upon the utilization of the entirety of the content of the appraisal report contained within REPM/Subsection 2.3.5 and is effectively two separate appraisal analyses in one report. As discussed in REPM/Subsection 2.0.2.1.1 a before and after appraisal values the subject property prior to the proposed acquisition and subsequent construction project (before-condition) and after the proposed acquisition and subsequent construction project (after-condition), then compares the two values to determine any potential loss in value resulting from the acquisition and subsequent construction project. The loss in value will include the value of the RE acquired and any severance damages, or special benefits.

The cost approach and, or income capitalization approach sections of both the before and after conditions may be excluded if the appraiser determines that one, or both, of the approaches to value are inappropriate for the property being appraised. The appraisal report content and analysis must be adequate for the reader to fully understand the appraiser's opinions and

conclusions. An appraisal report that allows or requires the reader to draw any conclusions of their own is inadequate.

2.3.4 - Appraisal Reporting Standards – Standard Abbreviated Format

The Appraisal Report - Standard Abbreviated Format is the most commonly used format for WisDOT acquisitions. The standard abbreviated reporting format is the appropriate eminent domain appraisal reporting format when dealing with the following acquisition and parcel types (see the Appraisal Reporting Format Matrix in REPM/Subsection 2.3.2):

- A partial acquisition from an intermediate improved parcel
- A total taking of an intermediate improved parcel
- A total taking of a major parcel
- A total taking of a major improved parcel
- A total taking of a complex parcel
- A total taking of a complex improved parcel

The above parcels involve either total takings where there is no after condition to analyze, or partial acquisitions where the after condition will reflect only minor changes to the larger parcel and, or severance damages that are easily identified and cured without the need for extensive analysis. If the standard abbreviated report format is utilized for a partial taking, the after condition discussion and analysis required should be minimal and any potential after condition valuation grids or analysis should, where possible, be replaced with minor additions to the before condition valuation and descriptions. The inclusion of the after-condition changes (if minor in nature) as a continuation of the before-condition discussion should be adequate to address the analysis of the before and after conditions. The appropriate use of the standard abbreviated reporting format for a partial acquisition does not relieve the appraiser of the responsibility of conducting a before and after analysis as part of his or her appraisal development activities (as directed by REPM/Subsection 2.0.2.1.1); however, the reporting of the appraiser's findings need only be as thorough as is required by the appraisal problem.

The standard abbreviated reporting format is based upon the table of contents and reporting standards as outlined in REPM/Subsection 2.3.5 with the appraiser deleting those sections that are not necessary to solve the appraisal problem. If the acquisition is a total taking all after condition content should be removed. If the acquisition is a partial taking then the after condition content should be condensed down to a minimum, and, where possible combined with the before condition discussions and analysis.

The following guidance addresses the appropriate level of documentation for the property types/acquisitions covered by the standard abbreviated reporting format (an expanded description and analysis of the identified parcel types is available in REPM/Subsection 2.1.3):

Intermediate Improved Parcels

- The reporting of the factual data for the before-condition can be minimal so long as the affected land or improvements are addressed sufficiently to support the appraiser's value findings.
- Any primary buildings that might exist on the larger parcel should be described in general terms (building type, size, condition and location), and included in the

- valuation. The impacted minor buildings (garage, shed non-agricultural outbuildings) must be described in sufficient detail to support their valuation.
- A valuation of the minor buildings or site improvements to be acquired should be based upon their depreciated reproduction costs. If the parcel includes primary occupied buildings that will not be acquired, they can be valued using their assessed values.
 - In the event of a partial taking, the acquisitions will typically result in either no severance damages, or only minor curable severance damages, so the discussion of the after condition can be minimal and possibly treated as an expansion of the before-condition discussion, combined with an estimation of the cost to cure any identified severance damages. The factual data for the after-condition must, however, provide a description of the acquisition that is adequate to support the appraiser's determination of minimal or no severance damages. The after-condition description of the subject property can be addressed as an extension to the before-condition description that indicates that the only change in the after-condition is the loss of the RE acquired (land and site improvements).
 - Intermediate improved parcels involve parent tracts that typically require only minimal before condition analysis to determine the larger parcel and highest and best use. The absence of a need for an extensive highest and best use, or larger parcel analysis should be reflected in the reporting of the analysis conducted. The after condition highest and best use can be the simple statement that "the highest and best use does not change in the after condition".
 - The before and after valuations will normally be based upon the use of a single analysis grid, with the after-condition unit value being stated as being the same as the before-condition unit value.

Total Takings of Major, Major Improved, Complex and Complex Improved Parcels

- The description of the larger parcel's site and improvements must be adequate to support the valuation of the larger parcel. The complexity of the highest and best use and larger parcel issues associated with the covered parcels dictate that the descriptions of the site and improvements be comprehensive and complete. The descriptions of the site improvements and primary buildings must fully conform to the standards as established in REPM/Subsection 2.3.5, Item 11.
- The improvements must be valued within the appraisal report. The appraiser may not utilize the assessed value of the building improvements.
- There will be no after-condition to consider, so any after-condition sections or references can be eliminated from the appraisal report.

2.3.5 - Appraisal Reporting Standards – Content of the Appraisal Report

The content of the appraisal provides a table of contents, which is modeled after the Yellow Book and will form the basis of the formats for the Appraisal Report – Detailed Before and After, and the Appraisal Report – Standard Abbreviated. The descriptions provided for each of the sections of the content of the appraisal report will provide an in-depth discussion of the required content, or reporting standard, for each section, and some guidance as to the degree of flexibility within each section based upon the complexity of the appraisal problem. The standards contained within this section combined with the guidance provided in REPM/Subsections 2.3.3 and 2.3.4 must be adhered to when preparing a detailed before and after appraisal report or standard abbreviated appraisal report for WisDOT's eminent domain activities.

Table of Contents

Introduction

Note: The Introduction sections of the content of the appraisal report require a consistent level of documentation for detailed before and after, and standard abbreviated appraisal reports regardless of the property type. The after-condition information may be excluded for appraisals of total takings.

1. Title Page
2. Letter of Transmittal
3. Table of Contents
4. Certificate of Appraiser
5. Executive Summary
6. Aerial Photo or Parcel Sketch
7. Statement of Assumptions and Limiting Conditions
8. Scope of Work
 - A. The client
 - B. Intended User
 - C. Intended Use
 - D. Purpose of Appraisal Report,
 - Type and Definition of Value
 - E. Effective Date of the Appraisal
 - F. Relevant Characteristics of the Property
 - Rights Being Appraised
 - G. Assignment Conditions
 - Jurisdictional Exceptions
 - Hypothetical Conditions
 - Extraordinary Assumptions
 - H. Description of Scope of Work
 - I. Definitions

Factual Data – Before Condition

9. Project Information
10. Area and Neighborhood Description
11. Subject Property Information – Before Condition

Data Analysis – Before Condition

12. Highest and Best Use – Before Condition
13. Larger Parcel Analysis
14. Approaches to Value
15. Sales Comparison Approach
 - A. Land Value – Before Condition
 - B. Value of Larger Parcel as Improved – Before Condition
16. Cost Approach
17. Income Capitalization Approach
18. Reconciliation and Market Value – Before Condition

Factual Data – After Condition

19. Description of the Proposed Acquisition
20. Subject Property Information – After Condition

Data Analysis – After Condition

21. Highest and Best Use – After Condition
22. Sales Comparison Approach
 - A. Land Value – After Condition
 - B. Value of Larger Parcel as Improved – After Condition
23. Cost Approach
24. Income Capitalization Approach
25. Reconciliation and Market Value – After Condition

Acquisition Analysis

26. Before and After Analysis Vs Value of the Part Taken Conclusions
 1. Value of the Part Taken
 2. Before and After Conclusion
 3. Total Severance Damages or Special Benefits
 4. Curable Severance Damages (Costs to Cure)
27. Temporary Limited Easement
28. Total Damages and Allocation

Addendum

Note: The following list of addendum items reflects the minimum requirements. As stated in the standards presented below the appraiser may include any additional items that they feel is supportive of the appraisal description and analysis contained in the body of the appraisal report. The appraiser must not, however, include raw unanalyzed data that is excluded from the body of the report by the standards presented below.

29. Photographs of Subject Property
30. Location Maps
31. Property Sketch and Larger Parcel Mapping
32. Comparable Sales Sheets
33. Additional Mapping
34. Appraiser's Qualifications

1. TITLE PAGE

The title page must include:

- The Project Number
- The Parcel Number
- The Highway which is affected by the project
- The County where the property being appraised is located
- The name of the property owners
- The address where the property is located. If the property has no address assigned, then a description of the location (Intersection, distance from landmark, Quarter-Quarter of a Section, etc.)
- Report Date

The footer of the report pages must include:

- The Project Number
- The Page Number
- The Parcel Number

2. LETTER OF TRANSMITTAL

Fee appraisers (private consultants) will, as a matter of practice, include a letter of transmittal. Most transmittal letters include language indicating that the transmittal letter must be attached to the appraisal report, and then proceed to number the transmittal letter pages separate from the report. This report standard requires that the fee appraiser include the transmittal letter within the report, not attached to it, and that the pages of the letter be numbered as part of the appraisal report. There are no standards established here for the content of the transmittal letter.

Staff appraisers should not include a transmittal letter in their appraisal reports. Appraisal reports prepared by WisDOT staff are internal documents, and a letter that is intended to transmit an appraisal report to WisDOT from an external source is misleading and inappropriate when used by a staff appraiser.

3. TABLE OF CONTENTS

The table of contents for a Detailed Before and After Appraisal Report will mirror the **Content of the Appraisal Report** as presented above. A Standard Abbreviated Appraisal Report should include only those sections of the Content of the Appraisal Report that are appropriate, or consistent with the analysis that is being reported. **The applicability of the individual sections will be noted in the descriptions provided below.** Page numbers, reflecting the location of the individual sections within the appraisal report, must be included in the table of contents. When proofreading their appraisal report, the appraiser must verify that the page numbering is accurate.

4. CERTIFICATE OF APPRAISER

The following language must be included in the Certificate of Appraiser:

I certify that, to the best of my knowledge and belief:

1. The statements contained in the appraisal report are true and the information upon which the opinions expressed herein are based are correct, subject to the limiting conditions herein set forth.
2. This appraisal has been made in conformity with appropriate Wisconsin Statutes, regulations, policies and procedures applicable to the appraisal of right of way.
3. No portion of the value assigned to this property consists of items that are non-compensable under Wisconsin laws.
4. I have not given consideration to nor included in this appraisal any relocation assistance benefits.
5. The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.
6. I have no (or the specified) present or prospective interest in the property that is the subject of this report, and no (or the specified) personal interest with respect to the parties involved.
7. I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
8. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
9. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
10. Neither my compensation nor my employment is contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
11. My analyses, opinions and conclusions were developed, and this report has been prepared in compliance with the Relocation Assistance and Real Property Acquisition Policy Act of 1970, as amended, and is consistent with the Uniform Standards of Professional Appraisal Practice (USPAP).

12. No one provided significant real property appraisal assistance to me in making this report, unless noted. I have not revealed the findings and results of this appraisal to anyone other than the proper officials of the acquiring agency or the Federal Highway Administration and I will not do so until authorized by said officials, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings
13. On _____, I invited _____ (verbally in writing) to accompany me on an inspection of the property. My invitation was accepted rejected appraiser was unable to contact the property owner (steps taken by the appraiser are described below). On _____, I made a personal inspection of the property. I have made a field inspection of and verified the sales relied upon in making this appraisal. The subject and sales relied upon in making this appraisal are as represented in this appraisal. It is my opinion that as of _____, the total loss in market value to the property herein described is: _____.

Steps Taken to Contact Property Owner: This section is included as part of the Certificate of Appraiser so that the appraiser is required to certify the steps they took to contact the property owner. This requirement is based upon the Uniform Act (42. U.S.C. Sec. 4651(2), federal regulations [49 CFR Part 24.102(c)(1)] and Wisconsin Statute [Section 32.05(2)(a)]. If the appraiser is unsuccessful in their efforts to contact the property owner, they must outline the steps taken to reach out to the property owner. The steps taken should be consistent with the requirements laid out in Subsection 2.2.1 of the REPM. If the appraiser is successful in contacting the property owner, then this portion of Item 13 of the Certificate of Appraiser need not be included in the appraisal report.

(Appraiser's name / date / level of certification)

Note: The Certificate of Appraiser is available as a template. Staff appraisers are required to utilize the Certificate of Appraiser provided above. Fee appraisers are encouraged to either utilize the template provided, or to modify their existing template to include the above statements and to eliminate any statements not included above.

5. EXECUTIVE SUMMARY

The Executive Summary is intended to provide the reader with a synopsis of the pertinent facts on which the appraisal analysis is based, and the final value findings for the acquisition. It is not intended to address issues of analysis. The required information identified below addresses the key elements of the appraisal problem, without covering the entire appraisal process contained in the balance of the appraisal report. The required information identified below is based upon a partial acquisition. The information associated with the "after condition" would not be required in the event of a total taking.

The executive summary must contain the following information:

PARCEL INFORMATION

- Property owner (owner's name).
- Property address (where property is located).
- Owner's address (address where owner lives).

- The owner's contact information (optional).
- Size of the Larger Parcel - Before Acquisition.
 - If the acquisition includes the underlying fee within an existing highway easement, identify the area of the easement and include it in the gross area of the subject property.
 - State whether the larger parcel has improvements or is vacant.
- Size of the Remainder of the Larger Parcel – After Acquisition
 - Indicate whether the acquisition created any remnants. If a remnant(s) was created, state the size of the remnant and the balance of the remainder of the larger parcel.
- Assessor's Parcel Number (Tax ID Number)
- Assessed Value (Land, Buildings and Total)
- Present Use
- Zoning (Identify zoning district)
- Highest and Best Use Before Acquisition
- Highest and Best Use After Acquisition
- Property Rights Being Appraised (Unless informed otherwise, the interests being appraised are Fee Simple Interest)

AREA AND INTERESTS TO BE ACQUIRED

- Project Numbers
 - Identify the page(s) of the Transportation Project Plat, on which the parcel is identified.
 - Indicate if the page has been amended.
 - Identify the date of the TPP and whether the date is:
 - The date of the Plat - If the TPP has not been finalized and approved the appraiser should identify the plot date shown in the bottom margin of the TPP.
 - The date that the TPP was approved – If the TPP has not been recorded the appraiser should identify the date of the signature approving the TPP. This information will be found in the signature block located in one of the corners of the plat page.
 - The date that the TPP was recorded – If the TPP has been recorded the appraiser should identify the recording data located in the upper right-hand corner of the plat page, including the document number of the TPP.
- Area and interest to be acquired
 - State if the acquisition is a partial taking or a total taking.
 - Fee Acquisition
 - If the fee acquisition includes underlying fee rights give a breakdown between the unencumber fee acquisition and the underlying fee acquisition.
 - Highway Easements
 - Permanent Limited Easement (Identify the intended use. If there is more than one use break down the permanent limited easements by the intended uses)
 - Temporary Limited Easement (Identify the expiration date)
 - Indicate if Access Rights are Being Acquired
 - Identify improvements to be acquired
- Effective Date of the Appraisal (this is the date of the appraiser's latest inspection of the subject property)

ALLOCATION OF ACQUISITION

- Before Value
- After Value
- Total Damages
- Allocation of Damages

Note: The Executive Summary is available as a template. Appraisers are encouraged to either utilize the template provided, or to modify their existing template to include the above items and to eliminate any information not included above.

6. AERIAL PHOTO OR PARCEL SKETCH

The aerial photo or parcel sketch that is inserted in this location will provide the reader with an initial visual assist as they read the appraisal report. The exhibit can be a full color reproduction of an aerial photo or parcel sketch that is also provided in the Addendum. The photo or map must show:

- the boundaries of the larger parcel
- the location of any site improvements
- the location of the access to the subject site
- the location of the proposed acquisitions (if the taking is partial)

The appraiser is encouraged to use as many exhibits as they feel is necessary to relate the needed information. Aerial photos and parcel sketches should be full page exhibits. Any ground level photos which the appraiser may choose to include should be of an adequate size to clearly present the photo's content.

7. STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

The Uniform Standards of Professional Appraisal Practice Standards Rule 2-1 states that: *"Each written or oral real property appraisal report must clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment."* The issues of extraordinary assumptions and hypothetical conditions will be addressed in Item 8 below. This section will concentrate on the issue of (general) assumptions and limiting conditions.

The Appraisal of Real Estate, 14th Edition, published by the Appraisal Institute describes assumptions and limiting conditions as follows: *"General assumptions and limiting conditions are usually included as separate pages in the report. These statements are used to help protect the appraiser and to inform the client and other intended users of the report. The general assumptions found in a typical appraisal report deal with issues such as legal and title considerations, liens and encumbrances, property management, information furnished by others (e.g., engineering studies, surveys), concealment of hazardous substances on the property, and compliance with zoning regulations and local, state, and federal laws. General assumptions and limiting conditions should not be treated as boilerplate in the report, although they may be typically applicable to almost all assignments."*

Statements typically included in the assumptions and limiting conditions can be found in The Appraisal of Real Estate, 14th Edition, as well as other reputable appraisal publications. New or inexperienced staff appraisers are encouraged to work with their mentor or assigned review appraiser to develop appropriate assumptions and limiting conditions.

As stated above, “*assumptions and limiting conditions should not be treated as boilerplate*”. WisDOT recognizes that most appraisers will develop boilerplate language to cover issues associated with assumptions and limiting conditions; however, the following, or similar, statements and terms will not be acceptable in appraisals submitted for review:

- Unless otherwise stated in the report....
- If the subject property is improved....
- In the event that this valuation relates to....

These statements are generic and do not directly apply to the property being appraised. Ambiguous statements about the physical condition of the subject property (example: “if the subject property is improved”) are potentially misleading. Generic statements that do not directly relate to the subject property, leave it to the reader’s judgement to determine whether the described assumptions or limiting conditions are meaningful or appropriate. As a result, the generic assumption and limiting condition statements could be misleading.

If a statement about the subject property is needed the assumption or limiting condition must be clearly stated. If an assumption or limiting condition is not required for the appraisal analysis being reported, it must not be included in the appraisal report. **All** assumptions and limiting conditions that apply to the subject property **must** be placed in the **Assumptions and Limiting Conditions** section of the report. This requirement does not preclude the appraiser from **restating** any of the reported assumptions or limiting conditions elsewhere in the appraisal report if he or she feels it is necessary. Appraisers utilizing a boilerplate Assumptions and Limiting Conditions section **must** proofread this section for each parcel appraised and remove any unnecessary statements prior to submittal for review. Review Appraisers should read the Assumptions and Limiting Conditions to ensure that unnecessary statements are not included. This standard does not permit the inclusion of a supplementary Assumptions and Limiting Conditions in the appraisal report under review. The elimination of inappropriate or vague statements will not result in a reduction of the protection afforded the appraiser by the assumptions and limiting conditions section of the appraisal report, and the absence of unnecessary statements will reduce the potential of misleading the reader.

8. SCOPE OF WORK

The Uniform Standards of Professional Appraisal Practice clearly states that “*In developing a real property appraisal, an appraiser must identify the problem to be solved, determine the **scope of work** necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal.*”

Standard Definition: The Dictionary of Real Estate Appraisal, 6th Edition, published by the Appraisal Institute defines **scope of work** as “*The type and extent of research and analyses in an appraisal assignment.*”

The Wisconsin Department of Transportation (WisDOT) has made the policy decision to expand the appraisal “scope of work” concept, which typically only addresses the appraisal activities

(appraisal development and reporting) of an appraiser, to also cover the activities of the department in its preparation to secure the services of an appraiser. This expanded scope of work, which is referred to as the Eminent Domain Appraisal Process, is addressed in Subsection 2.1.2 (The Eminent Domain Appraisal Process). WisDOT views the appraisal process scope of work as having 5 distinct phases:

1. Project Development Phase
2. Pre-Appraisal Phase
3. Scope of Work Agreement Phase
4. Development Phase
5. Reporting Phase

The first two phases address the department's project responsibilities prior to securing an appraiser. The third phase is a transitional phase that involves both the department and the assigned appraiser. The fourth and fifth phases are primarily the responsibility of the assigned appraiser, with the input and approval of the review appraiser. The first three phases of the appraisal process scope of work are addressed in Subsection 2.1.2 (The Eminent Domain Appraisal Process). The Development Phase and the Reporting Phase will be addressed in the following section

4. **Development Phase:** This phase of the appraisal process involves the research and analysis activities of the appraiser assigned to a specific parcel on a project and corresponds to USPAP Standard 1 (Real Property Appraisal, Development). The Appraisal Scope of Work Agreement developed in the Scope of Work Agreement Phase addresses the anticipated depth of analysis required for this phase of the appraisal process. This phase of the appraisal process addresses the responsibilities of the assigned appraiser(s), with possible consultation with the department's review appraiser.
5. **Reporting Phase:** This phase of the appraisal process involves the reporting of the research, analysis and value determinations of the appraiser assigned to a specific parcel on a project and corresponds to USPAP Standard 2 (Real Property Appraisal, Reporting). The Appraisal Scope of Work Agreement developed in the Scope of Work Agreement Phase addresses, in part, the minimum reporting standards required for this phase of the appraisal process. This phase of the appraisal process addresses the responsibility of the assigned appraiser(s) and the department's appraisal review staff.

The appraisal scope of work for each appraisal assignment should be unique to the appraisal problem being addressed by the analysis being reported; however, the following instructions and reporting standards addressing the scope of work will apply to all appraisal reports completed for WisDOT.

The appraisal scope of work, which describes the appraisal problem and the steps taken to solve it, includes the issues identified below, all of which must be addressed in the development phase to determine the type and extent of the research and analyses necessary to solve the assigned appraisal problem. All of the following information must be addressed in an appraisal report prepared for WisDOT:

- A. The Client:
The Wisconsin Department of Transportation
- B. Intended User:
The Wisconsin Department of Transportation

A copy of the appraisal report will be provided to the owner of the subject property as a consequence of the disclosure requirements established by Wisconsin Statute 32.05. This disclosure requirement does not establish the property owner as an intended user of the appraisal report.

C. Intended Use:

The value determinations of the appraisal will be used to form the basis for the establishment of the just compensation for a proposed acquisition of real estate, under the threat of eminent domain (See Subsection 2.0.2 – Rules of Just Compensation of the REPM).

D. Purpose of Appraisal Report:

In the case of a total taking, the purpose of the appraisal is to estimate the market value of the property being appraised. In the case of a partial taking, the purpose of the appraisal is to measure the market value of an acquisition (value of the part taken), or a change in market value (before and after) resulting from an acquisition (**See** Subsection 2.0.2.1 – Before and After Rule Versus the Value of the Part Taken)

- **Type of Value:** In most cases the type of value that will be identified in the appraisal is “market value”. If the appraiser is unsure of the type of value to utilize in their appraisal analysis, they should consult with the assigned review appraiser.
- Fair Market Value has been defined by Wisconsin Courts in a condemnation context as “that amount which can be realized on sale by an owner willing, but not compelled, to sell to a purchaser willing and able, but not obliged, to buy.” (*City of Milwaukee Post No. 2874 Veterans of Foreign Wars of U.S. v Redevelopment Authority of City of Milwaukee*, 2009 WI 84; *P.C. Monday Tea Co. v Milwaukee County Expressway Commission*, 24 Wis.2d 107, 112-13, 128 N.W. 2d 631 (1964)). While the courts typically utilize the term fair market value, it is held that the term market value is synonymous. Market value will be understood to mean the same as fair market value throughout Chapter 2 of the REPM.
- **Standard Definition** of Market Value: 12 CFR Part 34.42(h), which regulates real estate lending and appraisals, defines market value as: *“the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*
 - (1) Buyer and seller are typically motivated;*
 - (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;*
 - ** (3) A reasonable time is allowed for exposure in the open market;*
 - (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
 - (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”*

** USPAP states that “When reasonable exposure time is a component of the definition for the value opinion being developed, the appraiser must also develop an

opinion of reasonable exposure time linked to that value opinion.” The standard for reporting an appraisal prepared for WisDOT requires that the appraiser’s opinion of a reasonable exposure time for the subject property be reported after the definition of value used. The reasonable exposure time reported should be consistent with the sales data provided in the valuation analysis presented in the report. If it is not, then the reason for the difference must be discussed here.

The standard definition of market value cited has been selected by WisDOT as the standard definition for eminent domain appraisals because 12 CFR Part 34.42(h) of the federal banking regulations provides a good listing of the elements typically considered in the real estate industry and financial markets for determining market value. Elements (1) to (5) help an appraiser focus on whether a given sale is a “comparable sale” that is useful for determining market value in a condemnation context. Sales with odd buyback provisions or made with concurrent leases to a large retailer, for example, would be affected by special financing or concessions and would be inappropriate for use as comparable sales. So, too, would a property that is on the market for a matter of hours not accurately reflect market value. Nor would sales between good friends or family members necessarily reflect typically motivated buyers and sellers acting only in their self-interest, thus making such sales unusable for comparable sales purposes. In addition, the cited definition is recognized by J. D. Eaton, in *Real Estate Valuation in Litigation 2nd Edition* as “a definition of market value that is in wide use in the appraisal industry”.

E. Effective Date of the Appraisal:

The effective date of the appraisal is the date of the appraiser’s last inspection of the subject property. The appraiser must clearly state the effective date of the appraisal in the appraisal report.

F. Relevant Characteristics of the Property:

The physical characteristics of the larger parcel will have been summarized in the Executive Summary and will be addressed in-depth in the Subject Property Information sections of the appraisal report. If the larger parcel exhibits unique, or complicating characteristics, the appraiser should provide a summary of the characteristics and how they will affect the scope of work. The Subject Property Information sections of the appraisal report will then expand on the summarized information. If the larger parcel exhibits no unique or complicating characteristics it is un-necessary to discuss the subject property characteristics here. In these situations, the appraiser is recommended to refer to the Subject Property Information sections of the appraisal report.

- **Rights Being Appraised:** A direct statement of the property rights being appraised will be adequate for this section. Unless informed otherwise, the interests being appraised are Fee Simple Interest (Fee Simple Estate).
- **Definition of Fee Simple Estate:** The Appraisal Institutes’ Dictionary of Real Estate Appraisal 6th Edition defines fee simple estate as “*Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*”

G. Assignment Conditions:

- **Definition of Assignment Conditions:** USPAP defines assignment conditions as – *“Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the scope of work.”*
Comment: Laws include constitutions, legislative and court-made law, administrative rules, and ordinances. Regulations include rules or orders, having legal force, issued by an administrative agency.”

Assignment conditions include laws, regulations, guidelines established by the client, or other conditions that could affect the scope of work for an appraisal assignment. General assumptions and limiting conditions are discussed in Section 7 – Statement of Assumptions and Limiting Conditions above. The assignment conditions for each parcel covered by the appraisal assignment (jurisdictional exceptions, extraordinary assumptions, hypothetical conditions and Special Appraisal Instructions) will be identified cooperatively by the client and the appraiser as part of the Appraisal Scope of Work Agreement. When dealing with assignment conditions, the appraiser must be aware that USPAP requires that: *“An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use. An appraiser must not allow the intended use of an assignment or a client’s objectives to cause the assignment to be biased.”* If the appraiser intends to utilize a jurisdictional exception, hypothetical condition, or extraordinary assumption (assignment conditions) that is not included in the scope of work agreement, then they must obtain the concurrence of the assigned review appraiser. The appraiser must communicate their intent to utilize an assignment condition, not contained in the appraisal scope of work agreement, to the review appraiser via an email generated in READS. The reviewer’s concurrence or reservations about the use of any additional assignment conditions must also be communicated to the appraiser by an email generated in READS.

- **Special Appraisal Instructions:** Special Appraisal Instructions identify anticipated issues associated with individual parcels that would complicate the appraisal analysis process. Examples of possible Special Appraisal Instructions include the identification of: parcels that are known to be contaminated; interim use properties; properties that will require coordination with a relocation advisor or FF&E Appraiser, and properties with larger parcel complications.
- Jurisdictional Exceptions:
Standard Definition: The Uniform Standards of Professional Appraisal Practice (USPAP) defines a Jurisdictional Exception as *“An appraisal assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.”*

If an assignment condition includes a Jurisdictional Exception the appraiser must adhere to the Jurisdictional Exception Rule as outlined in USPAP. **There are no standard jurisdictional exceptions that apply to appraisals prepared for WisDOT.**

- Hypothetical Conditions:
Standard Definition: The Uniform Standards of Professional Appraisal Practice (USPAP) defines a Hypothetical Condition as *“A condition, directly related to a*

specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics, of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in the analysis.”

The following Hypothetical Conditions are typical for appraisals prepared for eminent domain, and are presented in a format that is recommended as a template:

- A hypothetical condition, that the proposed public improvements, the acquisition for which this appraisal analysis has been performed, do not exist, and have not been proposed, has been adopted for the before-condition analysis of the subject property. This hypothetical condition is based upon a federal requirement established by 49 CFR, Part 24.103(b) - “Influences of the Project on Just Compensation, which states that *“The appraiser shall disregard any decrease or increase in the fair market value of the real property caused by the project for which the property is to be acquired, or by the likelihood that the property would be acquired for the project, other than that due to physical deterioration within the reasonable control of the owner.”*

This hypothetical condition is further based upon Wisconsin Statute 32.09(5)(b) which states that *“Any increase or decrease in the fair market value of real property prior to the date of evaluation 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, may not be taken into account in determining the just compensation for the property.”*

Note: This hypothetical condition applies to all acquisitions completed under eminent domain.

- A hypothetical condition, that the construction of the proposed public improvements, the acquisition for which this appraisal analysis has been performed, are completed as of the effective date of this appraisal, has been adopted for the after-condition analysis of the subject property. This hypothetical condition is based upon Wisconsin Statute Sec. 32.09(6) which states that *“In the case of a partial taking of property other than an easement, the compensation to be paid by the condemnor shall be the greater of either the fair market value of the property taken as of the date of evaluation or the sum determined by deducting from the fair market value of the whole property immediately before the date of evaluation, **the fair market value of the remainder immediately after the date of evaluation, assuming the completion of the public improvement** and giving effect, without allowance of offset for general benefits, and without restriction because of enumeration but without duplication, to the following items of loss or damage to the property where shown to exist:”*

Note: This hypothetical condition applies to only partial acquisitions under eminent domain.

- Extraordinary Assumptions:
Standard Definition: The Uniform Standards of Professional Appraisal Practice (USPAP) defines an Extraordinary Assumption as *“an assignment-specific assumption as of the effective date regarding uncertain information used in an*

analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in the analysis."

There are no standard extraordinary assumptions that apply to appraisals prepared for WisDOT. The appraiser may choose to apply an extraordinary assumption to the expiration date of the TLE, because a specific expiration date is not formally indicated in a document, or on a plat. The appraiser may choose to apply an extraordinary assumption to a third-party estimate utilized in the appraisal analysis. Given the variety of possible uses for extraordinary assumptions, and, given the fact that no option will require the citation of a specific federal or state requirement, no templated report language is deemed appropriate here.

H. Description of Scope of Work:

As stated in Item C (Intended Use) above, the results of the assigned appraisal will be relied upon to determine just compensation for an acquisition of real estate, under the threat of eminent domain. In this process, the intended user of the appraisal report (WisDOT) has a responsibility to ensure that the findings of the appraisal analysis are credible. The findings can only be credible if the appraisal scope of work used is valid. To this end, WisDOT will participate in determining the scope of work for a specific parcel, as directed by 49 CFR Part 24.103(a)(1) (see Subsection 2.0.1.3 of the REPM). WisDOT and the assigned appraiser will cooperatively develop a Scope of Work that will be documented in the Appraisal Scope of Work Agreement, describing the appraisal work to be done. (The development and intent of the Appraisal Scope of Work Agreement is discussed in Subsection 2.1.2.3 – Scope of Work Agreement Phase) This agreement, which will be signed by the appraiser and the agency (represented by the Regional Real Estate Project Manager and the Review Appraiser), will define the responsibilities of both the appraiser and the agency and outline the general parameters of the appraisal assignment. The scope of work agreement will address any unique, unusual and variable appraisal performance requirements for each appraisal assignment, if any. Either the appraiser or the agency may recommend modifications to the initial scope of work agreement, but both parties must approve changes.

The Description of Scope of Work section of the appraisal report, which must explain the necessary research that was completed, and the process used to arrive at a credible appraisal analysis, should be consistent with the Appraisal Scope of Work Agreement. In addition to explaining the steps that were taken in their appraisal analysis, the appraiser must be prepared to support the decision to exclude any investigation, information, method or technique that would appear relevant to the client, another intended user or the appraiser's peers.

The presentation of the description of scope of work, in the appraisal report, should be as extensive or concise as the appraisal problem demands. A concise presentation of the scope of work, as used for an uncomplicated, or short format appraisal can be narrative and very general in nature. The description of scope of work for a more complicated appraisal problem would identify the steps taken to address issues of complexity in the appraisal problem, in addition to the normal steps that are typically taken for less complicated appraisal problems. Complex scope of work descriptions would be better addressed with a combination of a narrative description of the areas of

complexity and a bullet point list of steps taken to complete the appraisal analysis. Inexperienced appraisers should discuss the content of the description of scope of work with their mentor, or the review appraiser assigned to the specific parcel. **The appraiser must remember that the scope of work is determined by the appraisal problem, and not the appraisal report format.**

I. Definitions:

The appraiser is advised to place definitions, used in the appraisal report, within the sections of the report to which the definitions apply. If the appraiser chooses to include industry standard, or non-specific definitions in the appraisal report, they should be placed here. The terms should have application to the appraisal analysis being reported. The use of a glossary of real estate terms, or specialized appraisal terms that do not apply to the appraisal analysis being reported could be misleading to the uneducated reader and is discouraged.

9. PROJECT INFORMATION

The appraiser should use this section of the appraisal report to describe the construction project for which the property being appraised is needed. The description should include the need for the project, the anticipated physical changes to the roadway corridor (changes to the roadway, the boulevard and other improvements within the right of way), the limits of the project, the anticipated impacts of the project on the subject's neighborhood and the anticipated construction timeline. The description should be adequate to facilitate the analysis of the project impacts on the subject property in the after-condition. The project information section should consist of the project description and construction project timeline prepared by the project engineer. The appraiser should refrain from modifying the information provided by the project engineer. Any additions or subtractions made to the original description provided to the appraiser should be confined to those issues associated with project impacts to the subject's neighborhood or the subject itself.

10. MARKET AREA AND NEIGHBORHOOD DESCRIPTION

The appraiser should use this section of the appraisal report to describe the physical and market characteristics of the subject's market area and neighborhood. This description should include identifying the predominant property types within the neighborhood; the nature of the supply and demand for specific types of property within the neighborhood, and a description of what makes the subject's neighborhood unique. The description must also include the approximate boundaries of the subject's neighborhood. The description of the neighborhood boundaries is essential to identifying the initial area of investigation when researching comparable market data. Appraisal practice requires that the first area of research when valuing a parcel is the subject's own neighborhood. If the boundaries of the neighborhood are not defined, then the appraiser cannot specifically state whether there was adequate sales data within the subject's neighborhood. A well-defined neighborhood is essential for supporting the appraiser's market research. The identification of the physical characteristics of the subject's neighborhood is also necessary when comparing the location of the subject property to that of comparable properties in other neighborhoods.

When completing the description of the subject's market area, the appraiser must keep in mind the needs of the client and user of the appraisal report. In the case of appraisals prepared for WisDOT, general market data associated with the nation and the State of Wisconsin will be of little use to the intended user and will likely not impact the appraiser's market analysis. Unless the appraiser has market information about the nation and Wisconsin that directly impacts the analysis of the subject property, national and statewide market information should not be included in the appraisal report. The presentation of demographic and economic data should only include information that directly affects the subject property, and the appraiser's conclusions as to market trends. The effects of the included market data must be specifically identified and discussed. The inclusion of raw economic or demographic data, that is not directly referred to in the market analysis of the subject property, leaves it to the reader's judgement to determine if the data presented is meaningful or appropriate. As a result, the inclusion of data not tied to specific appraisal analysis could be misleading. If boiler-plated economic or demographic data is not directly referred to in the appraisal analysis presented in the report, it must not be included in the appraisal report.

11. SUBJECT PROPERTY INFORMATION – BEFORE CONDITION

The appraisal report must adequately describe the subject property as it exists in the before condition. The exact form that the description of the subject property in the before condition takes is up to the appraiser. Depending on the complexity of the subject property, and, or the appraisal problem, the appraiser can choose to utilize a narrative format, or bullet points, or a combination of both. Whatever format the appraiser uses, the following information must be addressed in this section of the appraisal report:

Site Description - Items that may be appropriate to report under the site description are

- The shape of the site;
- The topography of the site;
- The nature of the site's drainage characteristics and any potential wetlands, including, for Agricultural sites, the existence and description of field drainage ditches and drain tile;
- The amount of highway frontage and whether a site is located at a corner or mid-block;
- The elevation difference between the site and the roadway along the highway frontage;
- For Commercial sites, the visibility of the site from the roadway, and traffic volumes on the adjacent roadways;
- The location and quality of the site's highway access;
- For Commercial, Industrial, or Agricultural properties the appraiser should describe any internal circulation issues;
- For Agricultural properties, an acreage breakdown that includes road Right of Way, cropland, pasture, woods, lowland and building sites (farmstead);
- The existence of potential sand, gravel or mineral deposits, and the existence of marketable timber within the acquisition area.
- The existence and location of easements of record and known easements that are unrecorded. Not all easements must be identified; however, any easements that fall within the proposed acquisition areas or have the potential to impact the value (before or after) of the subject property or its remainder must be identified, and their locations shown on available mapping or aerial photographs.
- The identification of areas of the subject property that fall within a floodplain.
- The location of known archeological sites within the subject property.

- The location of any known or potential contamination and a brief description of what is known about the contamination identified.

Site Improvements - This would include other improvements that would lend or detract from the value of the property. Be sure to cover all site improvements that lie within the acquisition area and comment on their construction and condition. Examples of site improvements would be, but are not limited to:

- Concrete and blacktop driveways;
- Fencing (location, type, age and condition);
- Landscaping (general description and quality);
- On premise signs;
- Planters;
- Sidewalks;
- Underground wiring;
- Additional wells not covered by the description of the building improvements (location, depth and type).

Building Improvements – Identify all major building structures on the larger parcel. This should include the physical dimensions, conditions and other physical attributes that would have an influence on the value of the various buildings (dwellings, barns and other outbuildings). The amount of detail needed will depend on if the buildings are being valued in the appraisal because they are being acquired or will be experiencing significant severance damages, or if they will experience minor or no impact resulting from the proposed acquisition.

- If a building is being valued for acquisition, or because it is anticipated that it will experience significant severance damages, a complete description is needed. This description must include:
 - Building Dimensions (interior and exterior)
 - Interior layout of rooms (A Building Sketch can be used to relate this information)
 - Present use and occupancy
 - Building materials (Type of materials and quality of construction)
 - Condition of the described improvements (Note any deferred maintenance or recent remodeling)
 - Chronological and effective age(s) of buildings
 - The existence of a private well and septic or city sewer and water
 - Any distinguishing physical characteristics that may be unique to the building(s) being described
 - The reporting of existing commercial fixtures or personal property in a manner which is consistent with Subsection 2.4.4 (Valuation of Commercial Fixtures)
- When buildings fall outside the acquisition area, but may be impacted by the proposed acquisition, the detail of the building description must be adequate to support the impact analysis. If the appraiser chooses to utilize the assessed value to establish the contributory value of the buildings (See Item 15b. Sales Comparison Approach - Value of Larger Parcel as Improved – Before Acquisition) the appraiser must still provide the reader enough building information to understand the physical nature of the subject's building improvements.
- If the appraiser does not anticipate any impacts to the building improvements he or she must indicate that the site is improved and the **type of buildings** that exist.

- The distance between the building and the R/W line (building setback) must be given unless the appraiser determines that there is no potential that the proposed acquisitions will cause sufficient setback changes to result in value impacts to the building improvements.
- The appraiser must indicate whether the setback in the before-condition meets minimum zoning requirements.

These items can be tabulated, presented in a bulleted format, or as a narrative description. Often a combination of tabulating or bulleting the basics together with a short narrative of items not conducive to listing (remodeling, extent of insulation or weatherization, special features) will be most appropriate.

Legal description - The legal description must contain sufficient information to be able to locate the larger parcel that is the subject of the appraisal report. This section of the appraisal report can reference copies of the deeds for the most recent transaction(s) for the identified larger parcel, which must be provided in the appraisal report (possibly within the addendum). Mapping and aerial photographs should be used to supplement complicated legal descriptions, or legal descriptions that are incomplete or difficult to follow. The combined effect of the information provided must be adequate to locate and analyze the subject property (larger parcel).

5 Year Sales History - If the current owner has owned the subject property for more than five years, the appraiser must identify the most recent transaction. If the current owner has owned the subject property for less than 5 years, the appraiser must identify the most recent transaction and any additional transactions that have taken place within the last 5 years. This information should be available from the parcel's title information. The appraiser must indicate whether each transfer was arms-length and identify any unique terms of the transaction(s). Any existing listings must also be identified in this section.

Assessment and taxes – The assessment information must include the tax identification number(s) for the larger parcel. The appraisal report must include the current equalized assessed value for each of the tax parcels contained within the larger parcel, including the separate assessed values for the land, the improvements and the total of both. The tax assessment ratio should also be reported. An indicated before value of the subject's improvements based on the assessed value should be reported here if the improvements are not being valued (appraised) as part of the appraisal analysis, and the appraiser will be relying on the assessed value of the buildings for a before value.

Zoning and Other Land Use Regulations – The appraiser must identify and describe the zoning designation(s) that covers the larger parcel that is the subject of the appraisal analysis. The description should include:

- Identification of the legal uses within the zoning designation;
- Identification of conditional and permitted uses within the zoning designation;
- Minimum, or maximum, site and building standards within the zoning designation
 - Minimum site size
 - Minimum site depth
 - Minimum site frontage
 - Back yard and side yard setbacks for primary buildings
 - Front yard setback for primary buildings

- Maximum site coverage
- Parking requirements
- Any other zoning standards that may affect the larger parcel in either the before or after conditions.

The zoning information included in the appraisal report must be tied to the highest and best use, and, or larger parcel analyses. The appraiser should avoid inserting raw zoning ordinance data that is not tied to his or her analysis.

If the appraiser determines, through his or her research, that there is a potential for a zoning change that could potentially impact the market value of the subject property this potential must be discussed in this section of the appraisal report. The appraiser must indicate not only the existing zoning information, but also the information for the potential zoning change. The appraiser must also discuss: why they believe the zoning change should be considered; what evidence for the potential for the zoning change exists; and how long it will likely take for the zoning change to go into effect. Any potential zoning changes should be discussed with the assigned review appraiser before the appraiser proceeds with the analysis, to ensure appropriate reporting of the change, and to avoid possible conflicts during the review process.

This section should also include any protective covenants or land use restrictions included in the subdivision of which the subject property is a part.

12. HIGHEST AND BEST USE – BEFORE-CONDITION

The Uniform Appraisal Standards for Federal Land Acquisition (Yellow Book) indicates that *“The appraiser’s determination of highest and best use is one of the most important elements of the entire appraisal process. Therefore, appraisers must apply their skill with great care and provide market support for the highest and best use conclusion(s) developed in the appraisal.”*

Standard Definition: The standard definition of Highest and Best Use for appraisals prepared for WisDOT is from The Appraisal Institute’s Dictionary of Real Estate Appraisal 6th Edition – *“The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity.”*

The Appraisal Institute’s Appraisal of Real Estate 14th Edition states that *“An understanding of market behavior developed through market analysis is essential to the study of highest and best use, which is an economic concept.....market forces create the use, and the use affects market value. The interaction of market forces, therefore, is a key to identifying the highest and best use. The highest and best use is shaped by the competitive forces within the market where the property is located, and it provides the support for a thorough investigation of the competitive position of the property in the minds of market participants”* The market forces, key to identifying the highest and best use of a parcel are identified through the application of the four criteria identified in the above definition. The “four criteria are consistent with the “Four Tests” which are identified in the highest and best use discussion from the Yellow Book.

The highest and best use analysis presented in the appraisal report should mirror the analysis conducted by the appraiser, during the development phase of the appraisal process. The

subject property's highest and best use should start by analyzing the subject's site as if vacant and available for development. The analysis and presentation should follow the following steps:

1. **Legally Permissible:** Determine the legally permissible uses for the subject's site as if vacant. This determination will be based upon the legal, permitted and conditional uses of the subject site, reported in the existing zoning and land use regulations information provided in the Section 11. Subject Property Information – Before Condition of the appraisal report. If the zoning information provided in the subject property information includes the possibility of a zoning change, then this change should be outlined here along with the legal uses under the proposed zoning change. The legally permissible uses for the subject's site as if vacant must be consistent with the information provided in the zoning and land use regulations section of the appraisal report. A discussion of what it means for a use to be legally permissible along with a description of the appraiser's analysis of legally permissible uses should be included here. The legally permissible uses should be listed. If there are too many potential legally permissible uses to list, the appraiser should identify the key uses at this point.
2. **Physically Possible:** Determine which of the legally permissible uses listed in Step 1 above, are physically possible on the subject's site as if vacant. This determination will be supported by the information contained in the site description, and the zoning and other land use regulations (minimum and maximum site standards) sections of the Subject Property Information – Before Condition. The physical limitations, or supportive physical characteristics of the subject's site as if vacant should be discussed here. The physically possible uses, which were also listed as legally permissible, should be listed. The appraiser should not include any physically possible uses that were not considered to be legally permissible.
3. **Financially Feasible:** Determine which of the physically possible and legally permissible uses listed in Step 2 above, are financially feasible. Financial feasibility is based upon elements of supply and demand within the subject property's area, or market. The basis of what uses are financially feasible is established in the Area and Neighborhood Description section of the appraisal report together with the sales data collected for the analysis and appraisal of the subject property. The analysis contained within the description of the subject's neighborhood/market, if completed correctly, will address the property uses that would be supported within the subject's market, as well as property use trends, the supply of competitive alternative properties in the market and the level of demand for the available property. The sales data collected will provide support for the appraiser's findings. While all of the sales data analyzed does not need to be included within the appraisal report (apart from the sales used to value the subject property) the market conditions supported by the sales data should be described. The descriptions and analyses provided above, as it pertains to the highest and best use of the subject property, should be summarized here. The financially feasible uses, which are also listed as legally permissible and physically possible, should be listed. The appraiser should not include any financially feasible uses that were not considered to be legally permissible and physically possible.
4. **Maximally Productive:** The appraiser must determine which of the property uses identified as legally permissible **and** physically possible **and** financially feasible, will produce the highest value for the subject property. This determination must be based upon available sales data, and not on speculation on the part of the appraiser. The appraiser should provide a brief discussion of the analysis of the available sales data here. Based upon this discussion the appraiser will identify a single use as the maximally productive use. This use will be the highest and best use of the subject property as if vacant and available for development.

Once the highest and best use of the subject property as if vacant and available for development has been established, the appraiser must determine the highest and best use of the subject property as it is currently improved. The highest and best use analysis of the subject property as it is currently improved should mirror the analysis conducted by the appraiser for the property as if vacant (Steps 1 thru 4 above). The legally permissible uses of the subject property as improved should be the same as for the property as vacant; however, once the appraiser begins to analyze the uses that are physically possible and financially feasible, the existence of the existing building(s), and the physical characteristics of the structure(s) will reduce the uses that would be supported by the subject property. The maximally productive use of the subject property as currently improved will be the highest and best use of the subject property as improved.

The estimated value of the maximally productive use of the subject property as if vacant and available for development must be compared to the estimated value of the maximally productive use of the subject property as improved to determine if the Highest and Best Use of the Subject Property is as improved, or as vacant. Typically, the highest and best use of the subject property as improved and as if vacant and available for development will be the same. In this event, the reporting requirements for the highest and best use of the subject property as improved can be relaxed and the analysis presentation, which would be similar to that presented for the site as vacant, can reference the analysis for the subject as if vacant instead of reproducing it. If, however, the highest and best uses of the subject property as improved and vacant are different, then the appraiser will have to deal with issues associated with Consistent Use and Interim Use. These issues are addressed in Subsection 2.4.7 (Concept of Consistent Use) and Subsection 2.4.7.1 (Valuing Interim Use Properties).

13. LARGER PARCEL ANALYSIS

The issue of the Larger Parcel is addressed in Subsection 2.4.1 (Larger Parcel).

Standard Definition: The Dictionary of Real Estate Appraisal 6th Edition, published by the Appraisal Institute, defines the larger parcel as: *“in governmental land acquisitions, the tract or tracts of land that are under the beneficial control of a single individual or entity and have the same, or an integrated, highest and best use. Elements for consideration by the appraiser in making a determination in this regard are contiguity, or proximity as it bears on the highest and best use of the property, unity of ownership, and unity of highest and best use. In most states, unity of ownership, contiguity, and unity of use are the three conditions that establish the larger parcel for consideration of severance damages. In federal and some state cases, however, contiguity is sometimes subordinate to unitary use.”*

In most appraisal assignments, it will be important for the appraiser to include all of the owner's potential parcels in the larger parcel in order to establish the tracts that may be damaged or benefited by the proposed acquisition. However, if a property owner owns multiple individual tracts of land that could potentially qualify as a larger parcel, if combined, it is not a requirement that they be combined. The appraiser must complete a highest and best use analysis on each potential larger parcel configuration (variable combinations or individual tracts), and the appraiser must look at which alternative is the most advantageous use of the tracts in question. The appraiser need not report the analysis and determined highest and best use for every

potential combination; however, they must provide adequate information in their appraisal report to show that all of the options were considered, and why the option reported was the appropriate one.

14. APPROACHES TO VALUE

This section of the appraisal report should contain the definitions for all three approaches to value, regardless of which approaches are utilized in the appraisal report:

- The Sales Comparison Approach
- The Cost Approach
- The Income Capitalization Approach

Standard Definition – Sales Comparison Approach: The Dictionary of Real Estate Appraisal, 6th Edition, published by the Appraisal Institute defines the sales comparison approach as *“The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-driven elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available”*

Standard Definition – Cost Approach: The Dictionary of Real Estate Appraisal, 6th Edition, published by the Appraisal Institute defines the cost approach as *“A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised.”*

Standard Definition – Income Capitalization Approach: The Dictionary of Real Estate Appraisal, 6th Edition, published by the Appraisal Institute defines the income capitalization approach as *“Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.”*

The appraisal report must contain the standard definitions for all three of the approaches to value, and a synopsis of the appraiser’s analysis to determine the applicability of each of the individual approaches to the valuation of the subject property. The full analysis of the applicability of the individual approaches to value will be contained in their respective sections of the appraisal report. A closing statement indicating whether a specific approach will be utilized in the appraisal report, or not must also be included here.

15.SALES COMPARISON APPROACH – BEFORE CONDITION

Based upon Subsection 2.1.15 (Appraiser and Review Appraiser Qualifications), it is assumed that the appraiser utilizing the Sales Comparison Approach is competent to do so. Therefore, this section of Subsection 2.3.5 (Appraisal Reporting Standards – Content of the Appraisal

Report) will concern itself with minimum standards for reporting the Sales Comparison Approach – Before Condition for an appraisal prepared for WisDOT.

Discussion: The Uniform Appraisal Standards for Federal Land Acquisitions states, in part that *“The sales comparison approach is a systematic procedure in which appraisers study the market for sales of properties with the same highest and best use as the subject property that are as close in proximity and time as possible. Each sale is verified with parties to the transaction to ensure that information is accurate and the sale is a market transaction. Each sale is adjusted for elements that are different from the subject property and the resulting array of sales data is reconciled to a final opinion of market value. Analysis of sales shall be made using a market derived unit of comparison such as price per acre, price per square foot, or animal unit month.”*

The Sales Comparison Approach – Before Condition will typically have three sections to it. The introduction, the valuation of the subject site and the valuation of the subject as improved. The introductory portion of the Sales Comparison Approach – Before Condition, should include:

- Mapping that indicates the location of the comparable sales (land sales and improved sales) in relation to the subject property.
- An identification of the Transactional Elements of Comparison (Market Conditions) that were considered. Examples of Transactional Elements of Comparison include:
 - Real Property Rights Conveyed
 - Financing Terms
 - Conditions of Sale
 - Expenditures made immediately after purchase
 - Market conditions (Time adjustment)Explain the elements of comparison to facilitate the interpretation of the analysis/adjustment grid, but do not identify the amounts of the adjustments made.
- An identification of the Physical Elements of Comparison (Direct Adjustments) that were considered. Examples of Physical Elements of Comparison include:
 - Location
 - Access to Utilities
 - Size (site or building)
 - Condition
 - Physical Characteristics
 - Topography
 - Wooded or Not Wooded
 - Number of Bedrooms
 - Number of Bathrooms
 - Finished Square Footage
 - AccessThe items identified as Physical Elements of Comparison should be based upon key issues of comparison for properties that are similar to the subject and should highlight areas of similarity as well as difference. The items included will address both the subject site as if vacant, and the subject property as improved (if the subject property as improved is appraised).
- An indication of whether the appraiser will be valuing only the site as if vacant (and why), only the site as improved (and why), or both the site as vacant and the site as improved. The appraiser should indicate here if they will be utilizing the assessed value of the subject's improvements to establish the estimated market value of the subject property as improved (and why).

A. Land Value – Before Condition:

The Land Value – Before Acquisition must identify the highest and best use that is being utilized for the subject's site as if vacant. This highest and best use must be consistent with the highest and best use identified in Highest and Best Use – Before Condition (Item 12) section of the appraisal report. The Land Value – Before Condition should also include:

- The appraiser must identify the unit of value that will be used to compare the subject property to the comparable sales. Typical units of value would include:
 - Total Sales Price
 - Price per Square Foot
 - Price per Acre
 - Price per Front Foot
- A clarification of any unique issues encountered in the analysis of the subject's site. This would include any difficulties that were encountered in identifying comparable sales data; the possible use of a qualitative analysis (Knowledge of this type of analysis is assumed. If the appraiser is unfamiliar with what a qualitative analysis is they should confer with the assigned review appraiser.) for all or a portion of the adjustment grid or any other appraisal complexities that the appraiser chooses to discuss.
- The Analysis/Adjustment Grid for the Land Value. The format of the "grid" is not part of these reporting standards. The presentation and content of the analysis/adjustment grid is the responsibility of the appraiser. If an inexperienced appraiser is unsure about the content and appearance of the analysis/adjustment grid, they should confer with their mentor or the assigned review appraiser. The elements of comparison within the analysis/adjustment grid, must be consistent with the items identified in the introduction to the Sales Comparison Approach – Before Condition.
- The identification and discussion of the adjustments made within the analysis/adjustment grid. The preferred method of documenting the adjustments is to address the item of comparison (sales date, location, size, access to utilities, etc.) and discuss the differences between the subject property and the comparable sales (inferior or superior), and the amount of the adjustments. The adjustments should be based upon market evidence (example: market derived matched pair analysis). The findings of the market evidence should be cited in the appraisal report, with the actual matched pairs data retained in the appraisal file. In the absence of citable comparable market data, the appraiser must provide an adequate discussion of how they arrived at the proposed adjustments, based upon his or her analysis of market conditions.
- A synopsis of the results of the analysis contained in the analysis/adjustment grid, which addresses the range in unit values identified (range before adjustments and range after adjustments), and a determination of the estimated unit value of the subject property.
- An application of the estimated unit value of the subject property to the subject site (site size, frontage or sales price per site) to determine the estimated market value of the subject's site.
- The appraisal report must clearly state that the estimated market value of the subject's site in the before condition, as calculated using the Sales Comparison Approach is \$-----.
- If the appraiser is utilizing the assessed value of the subject's improvements in their appraisal, they should add a section to the estimated market value of the

subject's site to identify the estimated value of the larger parcel as improved, based upon the combination of the estimated (appraised) market value of the subject's site and the assessed value of the subject's improvements. The appraiser must clearly state that the value used for the subject's improvements is based upon their assessed value.

B. Value of the Larger Parcel as Improved – Before Condition:

The Value of the Larger Parcel as Improved – Before Acquisition must identify the highest and best use that is being utilized for the subject property as improved. This highest and best use must be consistent with the highest and best use identified in Highest and Best Use – Before Condition (Item 12) section of the appraisal report, and the Land Value – Before Condition above. The Value of the Larger Parcel as Improved - Before Condition will not be required if the subject property is vacant, or if the subject's improvements will be valued using their assessed values. When the larger parcel is being valued as improved the Value of the Larger Parcel as Improved – Before Condition should contain:

- The appraiser must identify the unit of value that will be used to compare the subject property to the comparable sales. Typical units of value would include:
 - Total Sales Price
 - Price per Square Foot of Gross Living Area
 - Price per Cubic Foot
 - Price per Square Foot of Gross Building Area
 - Price per Animal Unit
- A clarification of any unique issues encountered in the analysis of the larger parcel as improved. This would include any difficulties that were encountered in identifying comparable sales data; the possible use of a qualitative analysis (Knowledge of this type of analysis is assumed. If the appraiser is unfamiliar with what a qualitative analysis is they should confer with the assigned review appraiser.) for all or a portion of the adjustment grid or any other appraisal complexities that the appraiser chooses to discuss.
- The reporting standards for the Analysis/Adjustment Grid, the discussion and support for adjustments utilized in the analysis/adjustment grid, the synopsis of the results of the analysis and the presentation of the estimated market value of the larger parcel as improved will be the same as for the subject site as if vacant (Land Value).
- The appraisal report must clearly state that the estimated market value of the subject property as improved in the before condition, as calculated using the Sales Comparison Approach is \$-----.

16.COST APPROACH – BEFORE CONDITION

Based upon Subsection 2.1.15 (Appraiser and Review Appraiser Qualifications), it is assumed that the appraiser utilizing the Cost Approach is competent to do so. Therefore, this section of Subsection 2.3.5 (Appraisal Reporting Standards – Content of the Appraisal Report) will concern itself with minimum standards for reporting the Cost Approach – Before Condition for an appraisal prepared for WisDOT.

Discussion: The Uniform Appraisal Standards for Federal Land Acquisitions states, in part that *“In the cost approach, the market value of the vacant land is added to the depreciated*

reproduction or replacement cost (contribution) of the improvements to arrive at an indication of the value of the property. The value of the land, vacant and subject to improvement, is generally developed by the sales comparison approach – land value (see Section 15A. above). The estimate of the reproduction or replacement cost of the improvements is based on current local market cost of labor and materials for construction of improvements. All forms of depreciation are deducted from the cost new estimate, as discussed below. This approach to value is most useful in developing the value of a property in which the improvements are new (and actual costs are known) and there is no evidence of depreciation.

In the case of special-purpose properties that are not generally bought and sold, it is sometimes necessary to resort to reproduction cost new less depreciation for want of any more reliable method of determining market value. If it is necessary to resort to the cost approach, all forms of depreciation—physical deterioration, functional obsolescence, and external (or economic) obsolescence—must be accurately reflected and deducted from the reproduction or replacement cost before the value of the land and the contributory value of the improvements are added together to develop an indication of market value by the cost approach.”

The analysis required to determine the applicability of the Cost Approach in the valuation of the subject property must be reported here.

The cost approach is typically only utilized for improved properties that have new buildings on them. The cost approach may also be used for specialized single use properties where comparable data is extremely difficult to identify, or for which no comparable data exists. If the appraiser chooses to utilize the cost approach he or she must explain the reason for its use.

The appraiser does not need to perform a separate analysis of the subject property as if vacant to determine the land value used in the cost approach. He or she may cite the value findings of the Land Value – Before Acquisition section of the Sales Comparison Approach – Before condition. The description of the subject’s improvements should cite the descriptive information provided in the Building Improvements and the Site Improvements portions of the Subject Property Information – Before Condition (Item 11 above) section of the appraisal report (building improvements, site improvements and landscaping). It is not necessary, and in fact is not desirable, to restate the description of the subject’s improvements in this section. If the description contained in Item 11 is not adequate to support a cost analysis, the appraiser must expand the descriptions in Item 11 above, rather than provide additional descriptive elements at this point. The appraiser must refrain from duplicating descriptive information for the improvements being valued. The appraiser should, however, discuss the issue of depreciation experienced by the subject’s improvements at this point in the appraisal report, and what method was used to estimate the amounts of the various elements of depreciation (physical deterioration, functional obsolescence, external obsolescence) that will be utilized in the cost analysis. The appraiser must provide market support for the depreciation identified. In the absence of direct market evidence identifying specific elements of depreciation, the appraiser must provide a discussion of the depreciation utilized that is adequate to support his or her findings.

If the appraiser utilizes a cost service to perform the cost analysis of the subject’s improvements, a copy of the cost estimating form (calculations), or computer report must be included at this point in the appraisal report. The appraiser must also identify the cost service utilized. If the appraiser utilizes a source other than a recognized cost service to estimate the cost of the subject’s improvements, the source must be cited, and supporting data from the cited source must be provided in the appraisal report.

The appraisal report must clearly state that the estimated market value of the subject property in the before condition, as calculated using the Cost Approach is \$-----.

Estimated Contributory Value of Affected Site Improvements:

If the appraisal problem involves a partial acquisition from a larger parcel that includes site improvements (minor buildings landscaping or miscellaneous hardscaping), the appraiser should add a section to the Cost Approach – Before Condition titled “Estimated Contributory Value of the Affected Site Improvements”. If the appraiser is utilizing the assessed value of the subject’s improvements in their appraisal analysis and is relying on a cost analysis to estimate the depreciated replacement cost (contributory value) of the site improvements acquired, then he or she should replace the Cost Approach – Before Condition with an Alternative Item 16 Titled – ESTIMATED CONTRIBUTORY VALUE OF THE AFFECTED SITE IMPROVEMENTS. The Estimated Contributory Value of the Affected Site Improvements will address the specific value issues associated with the affected site improvements, so they do not get lost in the analysis of the entire larger parcel. This information will then be utilized in the Before and After Analysis Vs. Value of the Part Taken Conclusions section of the appraisal report.

The Estimated Contributory Value of the Affected Site Improvements section of the appraisal report will provide a single location for the cost analysis utilized to identify the contributory value of the affected site improvements. The contributory value of the landscaping should also be addressed here, even if the contributory value of the landscaping is based upon a percentage of the total property value (calculated using the assessed value of the subject’s buildings). The calculated values of the individual items covered in this section must be included and itemized at the end of the section.

If the appraiser addresses the Estimated Contributory Value of the Site Improvements as a subsection of the Cost Approach – Before Condition, then the appraiser will cite the Cost Approach as having been utilized in the appraisal analysis. However, if the appraiser utilizes an Alternate Section 16 to estimate the contributory value of the site improvements, then the cost approach should not be identified as an approach to value utilized in the appraisal report.

17. INCOME CAPITALIZATION APPROACH – BEFORE CONDITION

Based upon Subsection 2.1.15 (Appraiser and Review Appraiser Qualifications), it is assumed that the appraiser utilizing the Income Capitalization Approach is competent to do so. Therefore, this section of Subsection 2.3.5 (Appraisal Reporting Standards – Content of the Appraisal Report) will concern itself with minimum standards for reporting the Income Capitalization Approach – Before Condition for an appraisal prepared for WisDOT.

Discussion: The Uniform Appraisal Standards for Federal Land Acquisitions states, in part that *“In appraising property that generates income, it may be appropriate to develop an opinion of market value using the income capitalization approach. This approach should generally be used in addition to the sales comparison approach and can serve as additional support for the final opinion of market value. In developing the income capitalization approach, it is critical that the appraiser have market support for every component such as income, expenses, capitalization, and/or discount rates.”*

Wisconsin Statute 32.09(1m)(b) states that “As a basis for determining value, a commission in condemnation or a court shall consider, if provided by the condemnor or condemnee, an appraisal based on the income approach and an appraisal based on the cost approach.” This statute has modified a historical legal bias against the use of the income (capitalization) approach in the eminent domain appraisal process; however, it does not dictate that the income approach **must** be utilized in the process of appraising real estate for acquisition under the threat of eminent domain. Therefore, the appraiser must determine whether the income capitalization approach to value is relevant to the appraisal problem being analyzed.

The following elements of any appraisal problem under consideration, must be addressed when determining if the income capitalization approach is appropriate for a parcel being analyzed:

Question - Is the subject property currently an income producing property (generating income from the rental of all or a portion of the property), or does the highest and best use of the property indicate a potential for income production?

- **If the answer is No:** The income capitalization approach is not applicable to the property being analyzed and should not be included in the appraisal report.
- **If the answer is Yes** then the income capitalization approach may be applicable to the appraisal problem under consideration, depending on the nature of the proposed acquisition.

Question - Is the acquisition a total taking of income producing property, or property with a highest and best use that indicates a potential for income production?

- **If the answer is Yes:** The Income Capitalization Approach is applicable to the appraisal analysis at hand.
- **If the answer is No:** The determination of whether the income capitalization approach is applicable or not will depend on the impacts of the assumed partial acquisition.

Question – If the acquisition is a partial taking of an income producing property, or property with a highest and best use that indicates a potential for income production, what are the anticipated impacts of the partial acquisition?

- If the partial acquisition will result in the loss of the subject property’s ability to generate an income (all site improvements are acquired or rendered useless) then the income capitalization approach is applicable to the appraisal analysis at hand.
- If the partial acquisition will result in a change in highest and best use, will reduce the income generating potential of the subject property in the after condition, or will impact the risk associated with an investment in the property being appraised (this could change the capitalization rate utilized to value the subject property in the after condition) then the income capitalization approach is applicable to the appraisal analysis at hand.
Note: The appraiser must provide market evidence in the reported highest and best use – after condition section of the appraisal report to support his or her conclusion of a change in highest and best use.
Note: Any claims of changes in the income producing capability, or increased risk associated with the subject property in the after condition must be supported by market evidence.
- If the partial acquisition involves an acquisition of land and or site improvements that are typically rented out (parking stalls, land leases, etc.), and for which income data is available then the income capitalization approach is applicable to the appraisal analysis at hand.
- If the partial acquisition involves an acquisition of land and or site improvements that is not expected to impact the highest and best use of the subject’s remainder, reduce its

income generating capability, or increase the anticipated risk associated with an investment in the subject's remainder, then the income capitalization approach is not applicable to the appraisal analysis at hand.

Note: This type of acquisition makes up the vast majority of the acquisitions undertaken by WisDOT. The reason that the income capitalization approach is not applicable to this type of acquisition is that if the acquisition does not diminish the income generation capability of the property being analyzed, or increase the risk associated with the subject's remainder (from the before condition to the after condition), the before and after values of the property being appraised will not change, and no value loss is identified by the before and after analysis. The appraiser must then rely on the value of the part taken to value the land and improvements, and if no rental data for the land is available, then the sales comparison approach and the cost approach must be relied upon to value the part taken.

- If the appraiser determines that the income producing capability of the subject's remainder will not decrease, or that the risk associated with the subject property will not increase in the after condition, he or she must support their determination with market evidence.

The analysis required to determine the applicability of the income capitalization approach must be reported in this section of the appraisal report.

The reporting format for the income capitalization report will be closely tied to the specific methodology employed in the appraisal analysis and is therefore the sole responsibility of the assigned appraiser. WisDOT reporting standards will, however, dictate that the appraiser will be held responsible for providing adequate market data to support his or her determinations of the:

- Annual Income utilized
- Annual Expenses utilized
- Any Percentage Rates or Ratios (annual rate of return, capitalization rates, yield rates, etc.) utilized in the value calculation under the income capitalization methodology employed.

The appraisal report must clearly state that the estimated market value of the subject property in the before condition, as calculated using the Income Capitalization Approach is \$-----.

18. RECONCILIATION AND MARKET VALUE – BEFORE CONDITION

The Reconciliation and Market Value – Before Condition is not required if the appraisal assignment involves the use of only a single approach to value.

The Reconciliation and Market Value – Before Condition is required if the appraisal assignment involves the use of multiple approaches to value.

The Reconciliation and Market Value – Before Condition section of the appraisal report must identify the approaches to value utilized within the before condition section of the appraisal report. The appraiser must identify the value findings resulting from each of the approaches to value utilized and discuss the strengths and weaknesses of each approach. They must address:

- The quality and reliability of the data relied upon for each approach to value utilized;
- Whether the analysis for each approach to value utilized was directly supported by market data (objective), or if the analysis relied upon indirect market evidence and an interpretation of the appraiser's observations of market conditions (subjective);

- The inherent strengths and weaknesses of the approaches utilized in relation to the type of properties being acquired.

The appraisal report must indicate whether the estimated market value determination will rely on a single approach to value as the best value indicator for the subject property in the before condition, or if the appraiser will rely on a weighted average of the findings of the approaches utilized.

- If a single approach to value is identified as the best indicator of the estimated market value of the subject property in the before condition, then the appraiser must state which approach is best and why. The explanation for why a specific approach to value is the best indicator of value must be provided and it must be consistent with the strengths and weaknesses discussed above.
- If a weighted average is utilized the appraiser must provide an explanation of the differences in the weights given to each approach to value. The explanations must be consistent with the strengths and weaknesses discussed above. The appraiser must report the calculation of the weighted average of the value findings of the approaches utilized.

The appraisal report must clearly state that the estimated market value of the subject property in the before condition is \$-----.

19. DESCRIPTION OF THE PROPOSED ACQUISITION

The description of the proposed acquisition must identify all of the proposed acquisitions, as indicated by the Schedule of Lands and Interests Required portion of the Transportation Project Plat. The description must include:

- The locations of the acquisitions on the larger parcel.
- If the acquisitions involve specific (permanent limited) or temporary limited easements, the description must include the specific language from the Transportation Project Plat that indicates the intended use of the indicate easement(s). The description must also include how the easement(s) will affect the after-condition use of the encumbered area.
- If the acquisition will include site improvements, landscaping, minor structures, or primary buildings, they must be identified here. If the appraiser has provided an adequate description of the impacted improvements in the Subject Property Information – Before Condition the description need not be repeated here, and the improvements can simply be listed.
- In the case of a temporary limited easement (TLE), the appraiser must indicate if there are any site improvements, landscaping, minor structures, or primary buildings located within the TLE that will not be impacted.

In the event that the proposed acquisition is minor in nature, and will include only minimal site improvements, this section can be eliminated, and the description of the acquisitions included as an extension of the Subject Property Information – Before Condition. If the appraisal report is for a total taking of the subject property, this section can be eliminated.

20. SUBJECT PROPERTY INFORMATION – AFTER CONDITION

The appraisal report must adequately describe the subject property as it will exist in the after condition. The exact form that the description of the subject property in the after condition takes is up to the appraiser. The presentation of the description of the subject property in the after-condition will depend on:

- If the acquisition and subsequent construction project will result in significant impacts to the subject property that have the potential to change the highest and best use of the remainder, the appraisal report must contain a Subject Property Information – After Condition that includes:
 - A site description, building description and site improvement description that fully addresses the physical characteristics of these items in the after condition. This portion of the subject property information – after condition must be described in sufficient detail to accommodate the physically possible discussion of the highest and best use – after condition analysis.
 - If the proposed changes will result in a change of the legal status (zoning conformity) of the subject property, these changes must be described in sufficient detail to accommodate the legally permissible discussion of the highest and best use - after condition analysis.
- If the acquisition and subsequent construction project will have major impacts on the subject property in the after condition but will not impact the highest and best use of the remainder of the subject property, the appraiser may choose to utilize the Subject Property Information – After Condition section to identify the changes to the subject property rather than fully describing its after-condition physical characteristics.
- If the acquisition and subsequent construction project will have only minor impacts on the subject property in the after condition, the appraiser may choose to eliminate the Subject Property Information – After Condition section entirely and handle the changes to the remainder of the subject property as an extension of the Subject Property Information – Before Condition section of the appraisal report.
- If the appraisal report is for a total taking of the subject property, this section can be eliminated.

21. HIGHEST AND BEST USE – AFTER CONDITION

The reporting content of the Highest and Best Use – After Condition will be determined by the impacts of the proposed acquisition and subsequent construction project. The appraiser's analysis of the after-condition of the subject property (appraisal development) must be as thorough as the analysis that takes place in the before-condition. However, if the appraiser determines that the acquisition and subsequent construction project will have no impact on the highest and best use of the subject property in the after condition, he or she can choose to reproduce the highest and best use analysis from the before condition (with appropriate modifications), or they can explain why there is no change in the highest and best use. If the impacts of the of the proposed acquisition and subsequent construction project are considered to be minor, the appraiser may choose to eliminate the Highest and Best Use – After Condition from the report and address the after-condition highest and best use as an extension of the Highest and Best Use – Before Condition section.

If the appraiser determines, through their analysis, that the impacts of the proposed acquisition and subsequent construction project will result in a potential change in highest and best use of the subject property, then the Highest and Best Use – After Condition should report the same level of analysis as the before condition to support the appraiser’s determined change in highest and best use. The reporting standards outlined in the Highest and Best Use – Before Condition must be adhered to in the after – condition when there is a change in highest and best use.

22. SALES COMPARISON APPROACH – AFTER CONDITION

The reporting content of the Sales Comparison Approach – After Condition will be determined by the impacts of the proposed acquisition and subsequent construction project.

- If the remainder of the subject property has undergone a change in highest and best use, or will experience severance damages as a result of the proposed acquisitions (fee, permanent easements, or site improvements) the reporting standards for the Sales Comparison Approach – After Condition (The introduction, the valuation of the subject site and the valuation of the subject as improved) will be the same as for the before condition. The after-condition sales data should include sales not used in the before condition, that reflect the physical and legal changes to the remainder of the subject property resulting from the proposed acquisition (fee and or easement) and subsequent construction project.
- If the appraiser determines that the impacts of the proposed acquisition (fee, permanent easements, or site improvements) and construction project will not result in severance damages or a change in highest and best use, but the appraisal problem involves addressing the value impacts of the imposition of permanent limited easements by WisDOT on the remainder of the larger parcel, this issue must be addressed here. The appraiser may:
 - Duplicate the analysis/adjustment grids (value of the land and value of the subject as improved) and reflect the changes in the description of the subject property resulting from the fee acquisition and the imposition of the permanent easement(s). It will likely not be necessary to modify the after-condition adjustments for the changes resulting from the fee acquisitions, but the appraiser must address any adjustments required by the existence of the permanent easement(s). If the permanent easement(s) result in significant changes in value beyond the limits of the affected easement area, then a full after analysis, similar to the before-condition analysis, must be performed.
 - Provide a narrative analysis of the changes to the remainder of the subject property, but do not include the analysis/adjustment grids, and utilize the before-condition unit values. The appraiser may then apply an adjustment factor to the value of the affected portion of the remainder of the subject property for the imposition of the permanent easement. The adjustment factor must be supported by matched pairs or other market-based evidence.
 - The reporting of both the Land Value and Improved Value portions of the Sales Comparison Approach – After Condition must clearly state that the estimated market values identified, in the after condition, as calculated using the Sales Comparison Approach are \$-----.
- If the appraiser determines that the impacts of the of the proposed acquisition and subsequent construction project, on the remainder of the subject property will be minor in nature (will not change the unit value off the subject’s site or cause severance damages to the subject’s improvements), he or she may choose to eliminate the Sales

Comparison Approach – After Condition from the report, and address the after-condition values of the subject’s site and improvements as an extension of the Sales Comparison Approach – Before Condition. The extension of the Sales Comparison Approach – Before Condition would indicate that:

- The remainder of the subject’s site would have the same unit value in the after condition as it did in the before condition. The before-condition unit value would then be applied to the remainder of the subject property to establish an after-condition site value.
- The reporting of the extension of the Land Value portion of the Sales Comparison Approach – Before Condition must clearly state that the estimated market value of the subject, site in the after condition, as calculated using the Sales Comparison Approach is \$-----.
- The value of the remainder of the subject property as improved would be based upon the before condition value minus the estimated contributory value of the land and site improvements acquired. The subtraction of the land and improvements acquired could be performed on the appraised value of the subject property as improved, as established in the before condition, or on the estimated value of the subject property as improved (appraised land value plus the assessed value of the improvements) as established in the before condition (depending on the valuation method used for the before-condition).
- The reporting of the extension of the Improved Value portion of the Sales Comparison Approach – Before Condition must clearly state that the estimated market value of the subject property as improved in the after condition, as calculated using the Sales Comparison Approach is \$-----.
- If the proposed acquisition is a total taking of the subject property, the Sales Comparison Approach – After Condition is not needed.

23. COST APPROACH – AFTER CONDITION

The reporting content of the Cost Approach – After Condition will be determined by the impacts of the proposed acquisition and subsequent construction project.

- If the remainder of the subject property has undergone a change in highest and best use, or will experience severance damages, the reporting standards for the Cost Approach – After Condition will be the same as for the before condition. The need to complete a full cost analysis in this situation results from:
 - The possible need to utilize a different site value based upon the change in highest and best use. The land value resulting from the Sales Comparison Approach – After Condition will likely reflect the change in highest and best use, or other severance damages.
 - The replacement/reproduction cost of the subject’s improvements should be the same as for the before condition (less the cost of any improvements acquired); however, the depreciation experienced by the remaining improvements, in the after-condition will likely be increased as a result of the proposed acquisition and subsequent construction project.
- If the appraiser determines that the impacts of the of the proposed acquisition and subsequent construction project, on the remainder of the subject property will be minor in nature (will not change the unit value off the subject’s site or cause severance damages to the subject’s improvements), he or she may choose to eliminate the Cost Approach – After Condition from the report, and address the after-condition values of the

subject's site and improvements as an extension of the Cost Approach – Before Condition. The extension of the Cost Approach – Before Condition would:

- Utilize the estimated value of the remainder of the subject's site from the extension of the Sales Comparison Approach – Before Condition Land Value with no requirement to discuss any changes in the unit value.
- The value of the remainder of the subject's improvements would be based upon the before condition value (no change in the cost of replacement/reproduction and no change in the depreciation) minus the estimated depreciated replacement cost of the site improvements acquired.
- The reporting of the extension of the Cost Approach – Before Condition must clearly state that the estimated market value of the subject property as improved in the after condition, as calculated using the Cost Approach is \$-----.
- If the appraiser determines that the impacts of the proposed acquisition and construction project will not result in severance damages, or a change in highest and best use, to the remainder of the subject property, he or she may choose to complete the Cost Approach – After Condition, but reduce the analysis presented to reflect the perceived impacts to the subject's remainder. The appraiser may:
 - Utilize the land value from either the extension of the Sales Comparison Approach – Before Condition Land Value, or from the Sales Comparison Approach – After Condition Land Value (whichever option was used).
 - Duplicate the before condition cost analysis for the subject's improvements leaving out the site improvements that are acquired.
- If the proposed acquisition is a total taking of the subject property or will result in the remainder of the subject property being vacant, the Cost Approach – After Condition is not needed.
- If the appraisal report contains a Cost Approach – After Condition section, it must clearly state that the estimated market value of the subject property in the after condition, as calculated using the Cost Approach is \$-----.

24. INCOME CAPITALIZATION – AFTER CONDITION

The analysis of the applicability of the income capitalization approach performed in the before condition will dictate whether the inclusion of the Income Capitalization Approach – After Condition should be included in the appraisal report. If the use of the income capitalization approach was identified as being appropriate in the before condition and the acquisition is a partial taking, then the income capitalization approach must be completed for the after condition. The standards for reporting the Income Capitalization Approach – After Condition are the same as for the before condition. If the use of the income capitalization approach was identified as being appropriate in the before condition and the acquisition is a total taking, then there is no need to include the Income Capitalization Approach – After Condition section in the appraisal report.

If the appraisal report contains an Income Capitalization Approach – After Condition section, it must clearly state that the estimated market value of the subject property in the after condition, as calculated using the Income Capitalization Approach is \$-----.

25. RECONCILIATION AND MARKET VALUE – AFTER CONDITION

The Reconciliation and Market Value – After Condition is not required if the appraisal assignment involves a total taking or utilizes only a single approach to value.

The Reconciliation and Market Value – After Condition must be included in the appraisal report if the appraisal assignment involves a partial acquisition that uses multiple approaches to value. This requirement applies to complex appraisal problems that include a full and complete analysis and presentation of the three approaches to value in the after condition, as well as to uncomplicated appraisal problems that have utilized extensions to the before condition valuation sections. If multiple approaches to value are utilized in the after condition, then they must be reconciled to determine a market value. The reporting standards for the reconciliation and market value - after condition is the same as for the before condition.

The appraisal report must clearly state that the estimated market value of the subject property in the after condition is \$-----.

26. BEFORE AND AFTER ANALYSIS VS. VALUE OF THE PART TAKEN CONCLUSIONS

The Before and After Analysis Vs. Value of the Part Taken Conclusions consists of four parts:

1. Value of the Part Taken
2. Before and After Conclusion
3. Total Severance Damages or Special Benefits
4. Curable Severance Damages (Costs to Cure)

Part 1. (Value of the Part Taken): will address the calculation of the value of the part taken. This section of the Before and After Analysis Vs. Value of the Part Taken Conclusions will include:

- The calculation of the value of the fee taken. This calculation should utilize the unit value of the subject site established in the Land Value portion of the Sales Comparison Approach – Before Condition (Item 15A) and the area of the fee taking as reported in the Description of the Proposed Acquisition (Item 19) section of the appraisal report.
- The calculation of the permanent limited easement. Wisconsin Statute 32.09(6g) dictates that the appraiser perform a before and after analysis to establish the value of an easement. This will complicate the determination of the value of a permanent easement for the value of the part taken calculation. The appraiser will be required to abstract a value for the permanent easements acquired (for the calculation of the value of the part taken) based upon the methods used to account for the existence of the permanent easements in the approaches to value utilized.
 - If the method used in the Sales Comparison Approach – After Condition involved matched pairs to identify an adjustment factor applied to the unencumbered fee value of the affected land, then the same method should be employed to calculate the permanent easements contribution to the value of the part taken.
 - If the method used in the Sales Comparison Approach – After Condition involved an adjustment to the comparable sales utilized to measure the after-condition impacts of the permanent easements, then the value impacts resulting from the adjustment should be used to estimate the value of the permanent easement taken.

- The potential modifications to the depreciation factors associated with the cost analysis of the Cost Approach will not reasonably render an estimated value for the permanent easements.
- The potential modifications to the income or risk factors considered in the Income Capitalization Approach will not reasonably render an estimated value for the permanent easement.
- The summation of the values of the site improvements acquired will be based upon the values established for the affected site improvements in either Section A of the Cost Approach – Before Condition (Item 16) or Alternative Item 16 - Estimated Contributory Value of the Affected Site Improvements.
- Part 1 will close with a tabular representation of the value of the fee acquisition, the value of the permanent limited easements, the site improvements acquired (the improvements acquired should be identified individually) and the total the value of the part taken.

Part 2: Before and After Conclusion: will consist of a tabular representation of:

- The value of the subject property in the before condition as reported in the Reconciliation and Market Value – Before Condition (Item 18) section of the appraisal report.
- The value of the subject property in the after condition as reported in the Reconciliation and Market Value – After Condition (Item 25) section of this report.
- The total change in value between the before and after conditions.

Part 3. Total Severance Damages or Special Benefits: will consist of a tabular representation of:

- The total change in value between the before and after conditions from Part 2 above
- The total amount of the value of the part taken from Part 1 above.
- If the value for Part 2 is less than the value for Part 1, then before and after analysis will have resulted in the identification of a special benefit.
 - If the appraisal analysis reveals a potential for special benefits, the appraiser must consult with the review appraiser and possibly obtain the advice of WisDOT's legal counsel before reporting any special benefits in his or her appraisal report.
- If the value for Part 2 is greater than the value for Part 1, then the before and after analysis will have resulted in the identification of severance damages.
 - If the appraisal analysis reveals the existence of severance damages, the appraiser must determine if the damages are curable (in part or completely), or if the severance damages are incurable (in part or completely).
 - If the severance damages are curable then the appraiser must indicate (separate from the tabulation for Part 3) how much of the identified severance damage is estimated to be curable and how much is estimated to be incurable and proceed to Part 4 below.
 - If the severance damages are incurable, in total, then the appraiser must discuss the nature of the incurable severance damages and why they are incurable (separate from the tabulation for Part 3). The appraiser need not complete Part 4.

Part 4. Curable Severance Damages (Costs to Cure): If the appraisal analysis reveals the existence of curable severance damages, the cost to cure the identified severance damages must be discussed at this point. The appraiser must describe the source of the potential severance damages and the amount of potential damage that would exist if the impacts were not cured. The appraiser must then describe the proposed method utilized in the appraisal analysis, to cure the identified severance damages, and how the proposed cure would mitigate

the identified impacts. The presentation of the proposed cure must include sufficient detail to support the appraiser's position that the proposed actions will in fact cure the identified damages, and an estimate of the cost of curing the potential severance damages. The appraiser must identify the source of the proposed cure and cost estimate (if a third party provided the analysis). Part 4 must close with a recalculated after value for the remainder of the subject property replacing the amount of the uncured severance damages with the cost of the identified cure(s).

27. TEMPORARY LIMITED EASEMENT

Occasionally land, necessary to facilitate the construction of a highway project, is acquired as a temporary limited easement. The appropriate method for valuing TLE's is outlined in Subsection 2.4.6.4 (Temporary Limited Easement). The following section will address the reporting standards for the presentation of the Temporary Limited Easement section of the appraisal report. The Temporary Limited Easement (TLE) section of the appraisal report must contain:

- The language used on the TPP to describe the rights being acquired and the use to which the TLE is to be put.
- The starting date of the TLE, that corresponds to the effective date of the appraisal must be stated along with the expiration date of the TLE (as provided by the Regional Real Estate Office).
- The appraisal report must describe the size and location of the TLE and whether the TLE will result in the acquisition of any site improvements or will result in any severance damages to the remainder of the subject property.
- The TLE section of the appraisal report will recognize the impacts of the TLE on site improvements and the possible creation of severance damages, but the valuation of the TLE will focus on compensating the affected property owner for the temporary use of the land encumbered by the TLE. The valuation of the acquired improvements and potential severance damages are considered to be permanent and will be handled as part of the before and after valuation analysis.
- The unencumbered fee land value (unit value) of the land contained within the TLE. The unit value must be based upon the Sales Comparison Approach – After Condition section of the appraisal report. The unit value of the land must reflect any severance damages identified for the affected area of the subject's remainder.
- The appraiser's calculation of the annual yield rate and discount rate to be used to calculate the compensation for the TLE use. The format for the calculation should be consistent with the Example provided in Subsection 2.4.6.4 (Temporary Limited Easement). The appraiser must also provide a brief discussion of how he or she chose their safe rate and the reasoning behind the adjustments for expected inflation and risk.
- If the appraiser utilizes land rental data obtained from the market, they must explain how the rental rates were obtained.
- The calculation of the compensation for the TLE. The format for the calculation should be consistent with the Example provided in Subsection 2.4.6.4 (Temporary Limited Easement).
- A closing statement identifying the calculated amount of the TLE and that the compensation is for the use of the land contained within the TLE and that the compensation is separate from the before and after analysis.

28. TOTAL DAMAGES AND ALLOCATIONS

The Total Damages and Allocations section of the appraisal report is intended to provide a summary of the value findings developed as a result of the appraisal analysis presented in the appraisal report. The initial allocation will address the difference between the before value of the larger parcel and the after value of the larger parcel. The before value will be based upon the estimated market value identified in Item 18 – Reconciliation and Market Value – Before Condition, if multiple approaches to value were utilized for the before condition. If there was only one approach to value utilized (typically the sales comparison approach) then the estimated market value will be tied to the item covering the approach to value utilized.

The after value will be based upon the analysis conducted in Part 4 of Item 26 – Before and After Analysis Vs. Value of the Part Taken Conclusions and will be either the adjusted after value based upon the identification of a cost to cure severance damage, or the unadjusted after value from Item 25 above. The after value that results in the lowest estimate of damages will form the basis of the allocation of damages resulting from the difference in the before and after conditions.

TOTAL DAMAGES	
Before Value	\$
After Value	\$
Total Damages	\$
Rounded to	\$

The tabulation of the before and after values and the total damages presented above meets the reporting standards for this portion of the allocation.

The allocation must also include a breakdown of the proposed acquisition and subsequent severance damages. (The allocation of damages is required by 49 CFR.)

ALLOCATION OF DAMAGES	
Fee Acquisition	\$
Primary Buildings Acquired	\$
Site Improvements Acquired	\$
Permanent Limited Easement	\$
Severance Damage	\$
Temporary Limited Easement	\$
Total Damages	\$

- The Fee Acquisition section of the Allocation of Damages addresses the acquired land.
- The Permanent Limited Easement section of the Allocation of Damages must state the type of permanent limited easement being reported. If there are multiple types of permanent limited easements on a parcel, the damage attributable to each one must be listed and identified.
- The Site Improvements section of the Allocation of Damages should be broken down by the major type of site improvement being reported:
 - Landscaping
 - Hardscaping (retaining walls, planter walls, major above ground decorative walls)
 - Secondary Buildings (detached garages, sheds agricultural outbuildings)
 - Driveways

- Fencing
- Private Wells and Septic Systems
- The Severance Damages section of the Allocation of Damages should be broken down between Curable Severance Damages (Cost to Cure) and Incurable Severance Damages. The costs to cure and incurable severance damages must be consistent with the discussions provided in Item 26 - Before and After Analysis Vs Value of the Part Taken Conclusions above.

Categories can be added to or deleted from the above list as needed, depending on damages accruing to the subject.

The tabulation of the Allocation of Damages presented above meets the reporting standards for this portion of the allocation.

If required as a part of the Appraisal Assignment Conditions included in the Appraisal Scope of Work Agreement, the appraiser will provide an allocation of the value of the subject property, in the before condition, between the site and improvements (Primary Building and site improvements). Under the Unit Rule (see Subsection 2.4.2 – Application of the Unit Rule), the only acceptable method for allocating the value of the subject property, in the before condition, between the site and improvements is to value the subject property as improved, value the subject's site as if vacant** and subtract the value of the site from the value of the subject property as improved. The value of the site as if vacant will establish the value of the land. The value of the subject property as improved minus the value of the site as if vacant will establish the value of the subject's improvements.

**Note – The valuation of the subjects site as if vacant will depend on the highest and best use analysis developed under Item 12 Highest and Best Use – Before Condition and whether the subject property was determined to a transitional property or have an interim highest and best use (see Subsection 2.4.7.1 – Valuing Interim Use Properties).

29. PHOTOGRAPHS OF SUBJECT PROPERTY

The appraisal report must include photos of the subject property in sufficient quantity and quality to show:

- The areas of the proposed acquisition from the subject's site.
 - If the right of way is staked at the time that the photos are taken, the appraiser should make every effort to highlight the location of the stakes within the photos and their relation to the proposed acquisition.
- The street views of the subject's highway frontage.
- If there are any impacts to the site improvements (fencing, driveways, hardscape, or landscaping) the photos must include closeups of the impacted improvements.
- If the subject's primary buildings will be impacted (be acquired or experience severance damages) the entirety of the exterior of the affected buildings must be photographed.
- If the subject's primary buildings will be valued as part of the appraisal analysis, the appraisal report must contain sufficient photographic evidence of the interior of the buildings to support the valuation of the structures.
 - If the assessed value of the subject's improvements will be utilized in the appraisal analysis, then the appraiser may choose to forego including photographs of the interior of the subject's buildings.

- Each photo included in the appraisal report must be followed by a description of the photo's content, where it was taken from and the direction of the camera was pointed (north, south, northeast, etc.).

The appraiser is encouraged to utilize as many photographic exhibits as they feel is necessary to relate the needed information.

30. LOCATION MAPS

The appraisal report must contain location map(s) showing:

- The location of the proposed project within the State of Wisconsin
- The location of the proposed project and subject parcel within the identified subject area and or neighborhood (as described in Item 10 - Area and Neighborhood Description above). This mapping must depict the boundaries of the subject's neighborhood.
- The location of the subject property within the proposed project.

31. PROPERTY SKETCH AND LARGER PARCEL MAP

The property sketch is a graphic representation of the affected area of the subject property. The property sketch should include:

- The location of the proposed acquisitions (this information should be consistent with the representation in the Transportation Project Plat)
- The location of the primary building improvements (including their setback from the existing right of way line as well as from the proposed right of way line)
- The location of the well and septic systems (if appropriate)
- The location of any affected site improvements (secondary buildings, landscaping, fencing, etc.)
- if the parcel sketch will also be used for the larger parcel map, the property boundaries of the larger parcel should be included

The larger parcel map may be eliminated if the subject parcel is small enough to be covered by the parcel sketch, then the larger parcel map may be combined with the parcel sketch. If the larger parcel is too large to represent by a graphic map, it may utilize an aerial photo that shows:

- the boundaries of the larger parcel
- the location of any site improvements
- the location of the access to the subject site
- the location of the proposed acquisitions (if the taking is partial)

The appraiser is encouraged to utilize as many exhibits as they feel is necessary to relate the needed information.

32. COMPARABLE SALES SHEETS

The appraisal report must contain the following information for each of the comparable sales utilized in the analysis and valuation of the subject property:

- A Comparable Sales Sheet, which must contain the following information:
 - Comparable sales number
 - Property type
 - Location – If the property has an assigned address, this address will meet this requirement. If the property does not have an assigned address, a general location description should be provided.
 - Tax I.D. number
 - County
 - A legal description – If the legal description is lengthy an additional sheet with the legal description can be added to the package of information provided for the comparable sale.
 - Grantor
 - Grantee
 - Relationship of Grantor and Grantee (If no relationship exists the transaction is “Arms-Length”)
 - Type of document used for the transfer
 - Document number
 - Data source
 - Sales price
 - Property size
 - Unit price
 - Conveyance date
 - Days on the market
 - Zoning
 - Intended use
 - Conditions of sale
 - Financing
 - Type of road frontage
 - Person who conducted the verification process
 - Person that provided verification
 - Comments obtained in the verification process
 - Date of Inspection
 - Present use
 - Highest and best use
 - Site description
 - Topography
 - Access to utilities
 - Quality and condition
 - The existence and nature of special features (waterfront, view, access, contamination history, etc.)
 - Description of neighborhood
 - Description of the site improvements (buildings). The improvement information from the data source can be added to the package of information provided for the comparable sale if the appraiser is comfortable with the content.

The Comparable Sales Sheet can be generated using the Acquisition Comparable screen in READS, or the appraiser may utilize the Comparable Sales Sheet template.

- An aerial photo of the comparable sale
- A street level photograph of the comparable sale
- If there is a Certified Survey Map available for the comparable sale, its inclusion is optional.

The appraiser must refrain from including items in the comparable sales packages that are not identified above. If the appraiser chooses to include additional information in the individual comparable sales packages, it must address deficiencies in the summarized information provided in the comparable sales sheet and contribute materially to the appraisal analysis (example photos and information associated with an extreme verification process required for a commercial comparable sale as described in Subsection 2.4.4 – Valuation of Commercial Fixtures).

33. ADDITIONAL MAPPING

This section of the Addendum should be used for miscellaneous mapping required for the appraisal report. If the mapping is included in this section it must be referenced in the body of the report. If the mapping is not tied to specific data analysis or the relation of factual data within the body of the report, then it is raw, unanalyzed information. As with other reporting standards presented in this section of the REPM, the inclusion of raw unanalyzed data is not permitted because it leaves the interpretation of the data to the reader, which may result in the appraisal report being misleading.

Examples of mapping that could be included in this section of the Addendum include, but are not limited to:

- Locational maps
- Zoning maps
- Flood plain maps
- Soils maps
- Plan sheets for the proposed project
- Cross-section sheets for the proposed project

35. APPRAISER'S QUALIFICATIONS

The appraiser must include a resume that indicates his or her experience and education. If the appraiser is an unlicensed employee of WisDOT (staff appraiser) the appraiser should also include references to all departmental education and mentoring opportunities that he or she has taken part in. If the appraiser is licensed or certified the Appraiser's Qualifications must include his or her license or certification information.

2.3.6 - Appraisal Reporting Standards - Short Format Template

The Appraisal Report - Short Format (RE1005) has been developed as a self-contained, independent appraisal template that will result in an appraisal report that is USPAP compliant if completed according to instructions contained in the template. The short format appraisal template can be used for any non-complex appraisal problem regardless of the value of the acquisition. The primary factor in determining the applicability of the short format appraisal

report, is whether the factual data, data analysis and valuation process can be summarized and presented meaningfully in a condensed format. The short format template has been developed to assist new appraisers develop their appraisal skills and to provide a content appropriate reporting product that can meet the federal and state requirements for the preparation of an appraisal report. The appraisal reporting format matrix contained in REPM/Subsection 2.3.2 identifies the short format template as the appropriate format for: nominal parcels; partial acquisitions from intermediate parcels and total takings of intermediate parcels (parcel types are defined in REPM/Subsection 2.1).

The short format template is not intended to address complex appraisal issues associated with the valuation of primary building improvements, the calculation of permanent limited easements and the identification of incurable severance damages. The valuation of primary building improvements requires an extensive description and analysis of the primary building improvements together with the potential for the need to employ a cost analysis requiring a discussion of the depreciation of the improvements. Both requirements are not adaptable to the short format template limitations. The preferred methods for valuing permanent easements as established in REPM/Subsection 2.4.6.3 require the valuation of a permanent limited easement using either a full before and after analysis utilizing two separate sets of comparable data, or the use of matched pairs data. Both analyses are inconsistent with the limitations of the short form template. However, Subsection 2.4.6.3 does recognize that, in the absence of market data, the appraiser may utilize an analysis of the easement's impacts on the affected property (this analysis must be included in the appraisal report) to support a percentage of loss in value resulting from the imposition of a permanent limited easement. An easement valuation of this type may be presented in a short format appraisal report. Finally, while the short form template may be employed to address easily calculated costs to cure for readily identifiable severance damages (examples: cost to move a driveway, cost to replace fencing, cost to restore lost screening, etc.), the short form template is not intended to address the complex issues associated with curable severance damages that are not readily identifiable or easily calculated, or incurable severance damages of any kind.

The short format template is designed with standardized text that is consistent with REPM/Subsection 2.3.5, together with expandable cells designed to guide the appraiser through the presentation of factual data, analysis and value findings. The instructions included in the individual cells will assist the appraiser in maintaining a concise presentation, while adequately addressing descriptive and analytical issues necessary for relating the appraisal problem and the appraiser's value findings to the reader. The instructions are highlighted in red and will be deleted by the appraiser as each task (section) is completed.

2.3.7 - Sales Study

The sales study is a tool, prepared by the assigned appraiser, or the assigned regional RE staff, to assist the review appraiser and the acquisition specialist in the completion of their responsibilities in the valuation and acquisition of RE for a proposed construction project. The content of the sales study will be designed to identify and organize the available sales data, provide a brief introductory description of existing market conditions within the subject property's neighborhood, and provide unit value information required for the preparation of the nominal payment parcel report (Waiver Valuation). The sales study will have two basic alternative formats:

- The Sales Study will be prepared for projects that will not be utilizing waiver valuations.
- The Expanded Sales Study will be prepared for projects that will be utilizing waiver valuations. The term “Expanded” refers to the fact that the typical “Sales Study” content is expanded to include the estimation of unit values for each of the property types, which will be used in the preparation of waiver valuations.

The content of the Sales Study must include:

- A title page that contains:
 - The Project Number
 - The Highway which is affected by the project
 - The Termini of the proposed project
 - The County where the project is located
 - Report Date
 - The footer of the summary and descriptive pages of the sales study must include:
 - The Project Number
 - The Page Number
- A project information section that contains a project description and construction project timeline that is consistent with the project information reporting standards provided in Subsection 2.3.5 Item 9 (Project Information) of the REPM.
- A tabular summary of the comparable sales data contained within the sales study. The following table can be utilized as a template to provide the required sales information:

Summary of (Insert Property Type) Sales						
No.	Property Location	Date of Sale	Size (SF or Ac.)	Zoning	Sales Price	Price per Unit (SF or Ac.)

The sales study must contain a separate table for each property type identified on the proposed project. The number and types of properties will be determined by the preparer of the sales study. Examples of property types include, but are not limited to:

- Agricultural Land over 40 Ac.
- Agricultural Land under 40 Ac.
- Rural Residential Land over 5 Ac.
- Rural Residential Land under 5 Ac.
- Commercial Land
- Industrial Land
- Small Residential Lots (1,000 SF to 5,000 SF)
- Residential Lots (5,000 SF to 10,000 SF)
- Residential Lots (10,000 to 1 Ac.)
- Improved Residential Property
- Improved Commercial Property

The actual property types used will depend on the market in which the project is located. The site sizes utilized for the different property types will depend upon the sales data that is available, and whether the data indicates any break points in property value (points in the range of property sizes at which there is a discernable change in unit value) based upon site size. The heading of the individual tables will include the property type for which the table was prepared.

- A brief description of the property types identified, together with a discussion of the availability of sales data for each property type included in the study. The discussion should include whether there was adequate sales data within the project area, or whether the appraiser had to expand their search area. The appraiser should expand their discussion if the market data was very limited and describe the steps they took to overcome the lack of data.
- A brief description of the general RE market for the area of the project. The appraiser should highlight key items that they have observed about supply and demand; whether the market is growing, stable or in decline; and any other characteristics that would assist the user of the sales study in understanding the market conditions within the project area.
- A comparable sales map that identifies the location of the project corridor and the sales contained in the sales study.
- The comparable sales sheets for the sales data that has been identified for the proposed project. The content of the sales sheets must conform with the standards established by REPM/Subsection 2.3.5 Item 32 – comparable sales sheets. The comparable sales sheets should be grouped by property type. The comparable sales contained within the sales study must, at a minimum, be confirmed with the Department of Revenue and, or county records at the time that the sales study is completed. Those comparable sales utilized in the appraisal reports must be confirmed with one or more parties to the transaction before they can be used in an appraisal.
- A temporary limited easement (TLE) section that is consistent with the reporting standards provided in Subsection 2.3.5 Item 27 (Temporary Limited Easement) of the REPM. The annual yield rate and discount rate identified should be consistent with the predominant property type(s) on the project. The size of the TLE and the unit values for the affected land should be left blank as these elements will differ from parcel to parcel.

The content of the expanded sales study must include:

- Everything contained within the sales study as described above.
- Those comparable sales that provide primary support for the unit values indicated for each property type must be verified with one or more parties to the transaction.
- The individual tabular summaries of the comparable sales data will be modified to include a brief analysis of the values indicated by the comparable sales data provided in the individual summary tables and a determination of a unit of value for each property type. The analysis for each property type will follow the summary table for the property type being analyzed. The preparer should estimate the unit value for each property type, based upon an analysis of the available data and its comparability with the property on the proposed project, and not simply on a calculated average of the unit values for the identified comparable sales.
- The summary tables for the individual property types will be modified to add the annual yield rate and discount rate to be used for the calculation of the TLE during the preparation of the waiver valuations.

Summary of Sale Type						
Annual Yield Rate:			Discount Rate:			
No.	Property Location	Date of Sale	Size (SF or Ac.)	Zoning	Sales Price	Price per Unit (SF or Ac.)

The rate may vary from property type to property type, or the preparer may choose to utilize a consistent rate for all property types. The analysis added to the expanded sales study, discussed above should also include the preparer’s calculation of the annual yield rate and the discount rate as directed by REPM/Subsection 2.4.6.4. The calculation should include the safe rate and its source (certificates of deposit or municipal bonds, etc.), the adjustment for non-liquidity and the adjustment for risk. If a single rate is being used for the entire project, then the preparer can forego the rate identification for each property type and identify the project-wide rate being proposed and its calculation.

A project-wide sales study should be requested at the time that the appraisal assignments are made. The requirement for the preparation of a sales study can be waived if the assigned appraiser and review appraiser determine that there is no need. If the preparer of the sales study or expanded sales study is unsure about what to include in an assigned sales study report, then they must consult with the assigned review appraiser for guidance.