

## APPRAISERS GUIDE FOR MINIMUM ACCEPTABLE REQUIREMENTS PERTAINING TO THE APPRAISAL OF EXCESS PROPERTY

The purpose of this guide is to establish minimum appraisal standards and requirements pertaining to appraisals prepared on excess property by independent Fee Appraisers. These standards and requirements are necessary to properly maintain the quality of appraisal reports and to provide a basis upon which appraisal fees may be realistically estimated.

All excess property appraisals prepared by independent fee appraisers shall conform to, but not be limited to, USPAP and the minimum requirements hereinafter set forth. Any appraisal found not in compliance with these requirements and standards will be considered unacceptable. All fees pertaining to the respective appraisal shall be withheld until said appraisal has been upgraded to meet the requirements. In all cases content not listed in these requirements should be added to any report, as needed, to meet USPAP requirements.

The following is an outline illustrating the various standards and requirements to be found or inserted in all excess property appraisal reports prepared for MDOT by independent fee appraisers:

### SECTION I - GENERAL DATA

- A. Cover Page: All appraisals shall have a cover page containing the following minimum information:
- (1) Heading of: Excess Property Appraisal, prepared for the Real Estate Section, Michigan Department of Transportation.
  - (2) A photograph of the subject excess parcel, the date of photo, the direction of the photo, and by whom taken.
  - (3) The date of valuation, parcel/tract number, and control section.
  - (4) The interest appraised.
  - (5) The appraiser's name, address, and phone number.
- B. Table of Contents: The Table of Contents for the appraisal report should be similar in order to the order of this form.
- C. Summary of Salient Facts:
- (1) A brief description of the subject property and its relationship to the adjoining ownerships.
  - (2) A brief summary of the highest and best use of the property. Both current and anticipated zoning must be stipulated.
  - (3) The indicated valuation by the various approaches.
  - (4) A brief summary of the appraiser's correlation and conclusion of value.
- D. Zoning: A discussion of the present zoning and uses allowed. Also, a discussion of the possibility of achieving a change in zoning which would provide the possibility of a higher and better use. In those cases where zoning change is possible, and likely, additional discussion should be included in the report as to the value if a zoning change were realized and what steps would likely be required to gain this change. In a case where the subject zoning is not indicated because the subject is still shown as part of the freeway system a thorough investigation with the local municipality should be conducted to determine what zoning would be applied to the subject if separated from the freeway system.
- E. Interest Appraised: A brief statement regarding the interest upon which the appraisal is based, i.e.: fee simple, rental/license, air space, easement rights, etc.
- F. Purpose of the Appraisal: A brief statement regarding the purpose of the appraisal. Include the client and the intended use of the report.
- G. Discussion of Appraisal Problem and Scope of Work: A thorough and complete discussion of the problems surrounding the appraisal of the subject parcel and reference the 633ES which should be included in the report. Also explain any changes to the assignment since the 633ES was written, if any. Under this category the appraiser should consider and discuss the merits of the subject parcel, its potential, its location, or the possibility of an economical assemblage with adjoining lands. The Scope of Work undertaken for the appraisal should also be thoroughly discussed.
- In no case should the appraiser practice brevity under this category. The discussion under this heading should form picture illustrating the various steps and considerations upon which the value of the subject must be based.**
- H. Hazardous Waste or Property Contamination: Fully describe any physical details of the land and improvements which are unusual and indicate possible presence of hazardous wastes or contamination, i.e.: unvegetated or stain areas, underground tanks, foam insulation, asbestos, transformers and electrical equipment containing PCB's and product and processing materials. Detail your inquiries to, and responses from, property owner(s) and their representatives. Include their knowledge of past uses of subject property and adjoining properties. Promptly report suspected hazardous waste or contamination problems to the Regional Property Representative. If in your observation, you find no evidence of hazardous waste or contamination, that statement will be made in this section of the report.

### SECTION II - VALUATION OF EXCESS PROPERTY:

- A. Description of Property: A full discussion regarding the shape, size, contour or elevation, location, and condition of the property including improvements, if applicable. Utilities available should also be discussed, along with a general discussion and description of adjoining lands.
- B. Highest and Best Use: A full discussion and analysis of the highest & best use of the property (See requirements Section I, D-Zoning).

**In establishing or determining the highest and best use of the subject, the appraiser should be cognizant of the possibility of assemblage of the subject with adjoining lands, and the possible economic increment obtainable to the effected parcels by such an assemblage.**

- C. Estimated Value via Cost Approach: In most cases excess parcels are vacant unimproved lands, and this approach will not be applicable. However, in those cases where the excess parcel is improved this approach shall be applied, otherwise the appraiser must furnish a fully acceptable explanation of why it was considered non-applicable.
- D. Estimated Value via Income Approach: In most cases excess parcels are vacant unimproved lands, and this approach will not be applicable. However, in those cases where the subject could produce income, this approach shall be applied or the appraiser must furnish a fully acceptable explanation of why it was considered to be non-applicable.
- E. Estimated Value via Market Approach: In all situations, unless the appraiser receives specific instructions from the Department to the contrary, this approach shall be applied. Although this approach shall be applied in all excess property appraisals, great care and thought should be practiced in the selections of the comparable properties utilized. The appraiser shall follow the following requirements:
- (1) In the appraisal of either landlocked or accessible excess parcels where H&B Use or potential is limited to assemblage with adjoining lands, the application of excess property sales shall be acceptable. However, the excess property sales utilized shall be located in reasonably similar valuation areas as existing subject's area. Whenever the appraiser has applied excess property sales exclusively, he/she shall indicate the value of lands of a similar use located in the general area. Furthermore, the excess property sales applied shall carry similar or reasonably comparable potential as the subject property. **In addition, when estimating market value, consideration should be given to the possible beneficial enhancement accruing to the adjoining lands by assemblage with the subject parcel; AND, utilize and explain this consideration in estimating subject's market value, when applicable.**
  - (2) Whenever an excess parcel is considered a "stand alone parcel", independently buildable, or where its assemblage to adjoining lands will create an economic advantage to these adjoining lands, the application of at least two private comparable sales in conjunction with applicable excess sales shall be required. This is necessary to acquaint the reviewer with the value of similar lands within the area.
  - (3) In all appraisals, the appraiser will supply adequate discussion of each comparable and fully explain the adjustments he/she considers necessary in comparison of the subject to the comparable.
- F. Correlation and Conclusion of Value: List your estimates of value as indicated by your applicable approaches to value. Discuss the degree of reliability of these approaches and which approach is most applicable in the mind of a prudent purchaser of this type property. Make a final conclusion of value. Make a statement that "Having applied the applicable approaches to value, giving due consideration to all factors of value, that the ESTIMATED MARKET VALUE OF SUBJECT EXCESS PROPERTY IS \$ XXXXXX"

### SECTION III - CERTIFICATION

Use Form 612B, provided by the Michigan Department of Transportation. The appraiser shall set forth all dates he/she personally inspected the property. The date of valuation shall be the same date as the last date of personal inspection (unless designated otherwise by MDOT).

### SECTION IV - ADDENDUM

- A. General Area, City, and Neighborhood Information: Describe area geographically, economic trends (up or down), proximity to shopping, churches, schools, etc. Discuss accessibility via major streets or highways to market and work areas.
- B. Legal Description: Shall be furnished by the Department. However, it shall be the responsibility of the appraiser to check description for its accuracy and bring any discrepancies to the Department's attention.
- C. Sketches: Both overlay and engineering sketches shall be furnished by the Department and shall be included in the Addendum. However, the appraiser shall compare the sketch to the legal description and his/her visual inspection of the property to ascertain if an error exists. If so, he/she shall notify the Department accordingly.
- D. Form 633-ES: Appraiser to include a copy of Form 633-ES (appraisal problem/assignment furnished by MDOT) in the Addendum.
- E. Abutting Owners: **The appraiser shall furnish the name and address of all adjoining parcel owners as found in public records.** This requirement is necessary to enable the Department to notify the adjoining owners of the proposed sale of the subject excess parcel. If, during the appraiser's investigation and completion of the report, he/she becomes aware of a party(s) interested in the subject property, he/she must inform MDOT in writing with this information.
- F. Subject Photographs: Include a sufficient number and direction, properly identified as to location, date, and photographer, to show significant features of the property. Appraisal reports shall include photographs of all principal above ground improvements, or unusual features affecting the value of the property.
- G. Comparable Properties: (Use form 612G or equivalent) A complete description of all comparable data specifically utilized in the analysis of the appraisal report is to be included in the Addendum. Photographs are required of all comparable properties utilized. A minimum description must include address or location, legal description, and detailed physical description of property including zoning, dimensions, square footage, date of sale, name of parties to the sale, consideration paid, name and address of party with whom sale was verified, any conditions affecting the sale, and date of inspection of the sale.
- H. Statement of Limiting Conditions: When necessary, set forth any limiting conditions, assumptions, extraordinary assumptions, and/or hypothetical conditions that apply to values estimated.
- I. Appraiser's Qualifications: Include a summary of appraiser's qualifications, such as education, licenses, certifications, experience, clients, & etc.