

## GUIDELINES FOR WRITTEN NARRATIVE APPRAISAL REVIEW ANALYSIS

Michigan Department of Transportation (MDOT) Real Estate Qualifications for Appraisers and Review Appraisers.

Appraisers and Review Appraisers shall possess the training, experience and professional competence which qualifies them for appraising for Right of Way acquisition purposes. To be considered qualified to perform appraisal activities, the Appraiser and Review Appraiser must be familiar with Uniform Standards of Professional Appraisal Practice (USPAP), standard appraisal practices, MDOT appraisal procedures, The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, [42 U.S.C. 4601](#) *et seq.* (Uniform Act), and The Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book) where applicable, applicable Michigan laws, and, be properly licensed to perform regulated appraisal activities in Michigan. See Section 3.20-3.20.5 – Real Estate Prequalified List – of the MDOT Real Estate Procedure Manual, Appraisal Consultants for qualification requirements for consultants. More specifically, the Review Appraiser should also possess the skills to appraise the property that is the subject of the appraisal review because developing an independent value of the subject may be part of the review assignment.

The purpose of appraisal review is twofold: (1) investigate, analyze, and verify the logic and procedures used in appraisal report(s), and (2) ensure competent and thorough reports that generate sound values and meet state and federal requirements. The independent review consultant's rationale should be straightforward, supportable, and reasonable, leading to a logical conclusion as to the quality of the work under review.

This guide establishes minimum standards and requirements pertaining to appraisal review analysis prepared by independent review consultants. These standards and requirements are necessary to properly maintain the quality and consistency of appraisal review analysis and provide a basis upon which service fees may be realistically estimated.

An appraisal review analysis prepared by an independent review consultant (licensed appraiser) shall conform to, but is not limited to, the minimum requirements hereinafter set forth in this guide, and meet all appropriate sections of the current Uniform Standards of Professional Appraisal Practice as established by the Appraisal Standards Board, of The Appraisal Foundation. It is the Review Appraiser's responsibility to be familiar with all of the cited documents and references named in these guidelines.

An appraisal review analysis not in compliance with the applicable standards and requirements will be considered unacceptable. Fees pertaining to the respective appraisal review analysis may be withheld until said review has been upgraded to meet the standards and requirements not in compliance.

The following is a guide describing the various standards and requirements necessary in writing a narrative appraisal review analysis for MDOT.

MDOT Real Estate Procedure Manual:

**3.8.4**  
**Appraisal Review Report**  
An Appraisal Review Report is a written analysis by a Review Appraiser that identifies the appraisal report reviewed and documents the findings and conclusions arrived at during the review of the appraisal(s). The Review Appraiser must assure the appraisal meets 49 CFR 24.2(a) (3) definition of appraisal, 49 CFR 103 appraisal requirements and any other applicable requirements (including Yellow Book standards of Federal Land Transfers, if federal land transfers are involved, or if any section is applicable to the work at hand, or if FHWA standards parallel Yellow Book) to support the appraiser's opinion of value. Any damages or benefits to any remaining property must be specifically referenced in the Review Appraiser's report. The Review Appraiser shall also prepare a signed certification that states the parameters of the review. If the reviewer is providing an opinion of value, or changing the recommended compensation, the certification shall state the approved value and, if the Review Appraiser is authorized to do so, the amount believed to be just compensation for the acquisition. See 49 CFR 24.104.

**3.13**  
The appraisal report will be checked for compliance with the scope of work, USPAP, and 49 CFR Part 24, Real Property Acquisition. If not in compliance, the report will be returned for corrections to be completed within 10 business days.

General Guidance (subject to specific requirements of the MDOT service request and contract):

- 1) It is the responsibility of the independent review consultant to be aware of, familiar with, and knowledgeable of the Michigan Department of Transportation Requirements of Writing Appraisal Reports (Form 0633) or, if applicable, the Appraiser's Guide for Minimum Acceptable Requirements Pertaining to The Appraisal of Excess Property (Form 0612), the Yellow Book, and all applicable federal requirements to ensure that the written narrative appraisal review analysis and each appraisal report are in compliance with the required guidelines and regulations. The Review Appraiser will also confirm that the appraisal delivers what was requested in the Real Estate Services Assignment Proposal and Fee Estimate (Form 0633ES) signed by the consultant appraiser. The key to accomplishing this, is to use the applicable MDOT Form 0633 or MDOT Form 0612, The Code of Federal Regulations (CFR), Title 49, Part 24 "Uniform Act", applicable Michigan law, and the current version Yellow Book, to the extent appropriate, as guides. These resources provide specific criteria with which to analyze the content and compliance of each appraisal report.
- 2) The independent review consultant will be furnished with a copy of the appraisal problem and scope of work (Form 0633ES) that MDOT supplied to the appraisal consultant as part of the appraisal request to prepare the appraisal report. This can be used by the Review Appraiser to compare what was requested by the agency to what was delivered within the appraisal report under review.
- 3) Identify the report under review, the real estate and real property interest being appraised, the effective date of the opinion in the report under review, and the date of the review.
- 4) Provide a general description of the subject property citing any unique or special features that might sufficiently affect property value and confirm the subject and acquisition areas are accurately represented in the appraisal report.
- 5) Briefly describe the total ownership area, proposed area to be valued, and any remainders applicable.
- 6) Comment on the highest and best use determination of the before and after parcel situations.
- 7) Summarize appraised values as derived from cost, income, and sales comparison approaches, and the correlated value conclusion.
- 8) Provide a written discussion regarding the methods of valuation, including comments on quality and applicability of data utilized for any applicable approach to market value.
- 9) Comment on the reasoning and logic involved in sales data selection and adjustments thereto.
- 10) Examine extraordinary assumptions, hypothetical conditions, and limiting conditions for appropriateness.
- 11) Check ALL mathematical computations for accuracy, appropriateness, and support.
- 12) Inspect subject and all comparable properties including improvements; photograph and comment on appropriateness and location of comparable properties in relation to subject; and state date of inspection unless inspection requirements of the specific review assignment differ.
- 13) Comment on indications of hazardous waste found or not found.
- 14) Verify inclusion of MDOT environmental clause or confirm that it was waived by MDOT, and that the appraisal reflects whichever situation applies.
- 15) Verify appraisal report states the property owner, or representative, was given an opportunity to meet the appraiser on site as required by The Federal Highway Administration and that a sufficient effort to contact them was made.
- 16) Verify a sample of comparable data for accuracy and reliability.
- 17) Discuss the appropriateness and reasonableness of the appraisal methods and techniques used and develop the reasons for any disagreement.

- 18) Confirm that the appraisal addresses whether there were damages to the remainder or not, and/or if there were any benefits to the remainder stated. Check for acceptability of these conclusions.
- 19) Discuss conclusions as to the completeness of the appraisal.
- 20) Two Appraisal Reports on same property: The independent review consultant will prepare a narrative review analysis comparing and analyzing both appraisal reports and select the appraisal report which best represents the most reliable and applicable indicator of market value. The written narrative review analysis must contain an explanation of the logic and reasoning utilized by the consultant reviewer to reach their conclusion. The review consultant must thoroughly discuss any differences in the reports and attempts to reconcile these differences. Regardless of which appraisal report is selected, both appraisals must comply with either Form 0633 or, if applicable, Form 0612.
- 21) The review consultant must contact the fee appraiser to obtain corrections, explanations, or other information required to ensure each appraisal report meets all applicable requirements and standards. If included in the scope of work and the reviewer finds it necessary to add or change any data, or to arrive at a value indication different than the appraiser, proper documentation and support must be furnished in the appraisal review report.
- 22) The Review Appraiser must coordinate with the MDOT Project Manager, who requested the valuation service, on a weekly basis to discuss specific problems or concerns with the appraisal report, if any, or time deadlines as a matter of clear communication with MDOT and status updates.
- 23) Submit the completed written appraisal review report to the MDOT Project Manager in electronic PDF file format. The report must be signed, dated, and submitted within ten business days of the date of review, including a signed certification similar in content to the USPAP Standards Rule 4-3, and MDOT Certificate of Review Appraiser (Form 0633R).
- 24) If a fixture appraisal is involved, read the fixture report and indicate if any overlap between the real estate appraisal and the fixture appraisal exists, what it was, and why it was not resolved during discussions with the appraiser.
- 25) If the appraisal under review is a Before and After assignment, confirm that the report addresses the remainder property value stating if there were, or were not, any damages. If damages are stated, they must be categorized as curable or not curable. If they are concluded to be curable, the curable costs should be reviewed to confirm the costs are feasible. Costs to cure are feasible if they do not exceed the diminution of value to the remainder. If there are both curable and non-curable damages, they should be stated separately in the appraisal. Confirm that the appraisal contains sufficient information about the remainder property to determine if the remainder is "uneconomic" and, based on the federal and UCPA (Uniform Condemnation Procedures Act) definitions, as reviewer, state a conclusion whether the remainder is uneconomic or not.
- 26) Under Federal Highway Administration regulations, the Review Appraiser is to supply one of the following conclusions in the appraisal review and specifically state that either:
  - a. The Review Appraiser shall identify each appraisal report as
    - (1) "Recommended" (as the basis for the establishment of the amount believed to be just compensation)",
    - (2) "Accepted" (meets all requirements, but not selected as recommended or approved)", or
    - (3) "Not accepted".
  - b. The second scenario "accepted" may happen when there are two appraisals on the same property and only one can be "recommended" or if the appraisal no longer represents market value due to a changing market. Other situations may also occur.
  - c. The third situation "not accepted" may result when the appraisal is not accepted because the reviewer is unsuccessful in working with the appraiser. All reasonable efforts shall be made by the reviewer to see any necessary corrections or revisions to the report are made prior to rejection of the report. If the appraisal is not accepted, MDOT will follow procedure 3.18 in the Procedure Manual before issuing any payment.
  - d. Depending on the scope of work for the assignment, the Review Appraiser might be requested to provide a concurrence with the value conclusion in the report under review, or if report is not accepted, to supply a market value conclusion of their own. If either is true, USPAP requirements for these situations shall be met by the appraisal review report.

If authorized by the Agency to do so, the MDOT staff Review Appraiser shall also approve the appraisal (as the basis for the establishment of the amount believed to be just compensation), and, if also authorized to do so, develop, and report the amount believed to be just compensation (see appendix A, § 24.104(a).)

Note: For MDOT, the MDOT staff employee appraiser and/or Project Manager are authorized to “recommend” an appraisal to be utilized in establishing the estimated just compensation, but not to approve the appraisal as the basis or to develop or report the amount believed to be just compensation, while the consultant appraiser should focus on market value of the subject property.

## 27) Required Certification Statement:

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of the work under review and no (or the specified) personal interest with respect to the parties involved.
- I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding the agreement to perform this assignment.
- I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
- My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
- My analyses, opinions, and conclusions were developed, and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have (or have not) made a personal inspection of the subject of the work under review. (If more than one person signs this certification, the certification must clearly specify which individuals did and which individuals did not make a personal inspection of the subject of the work under review.) (For reviews of a business or intangible asset appraisal assignment, the inspection portion of the certification is not applicable.)
- No one provided significant appraisal or appraisal review assistance to the person signing this certification. (If there are exceptions, the name of each individual providing appraisal or appraisal review assistance must be stated.)
- I recognize that the requirements of 49 CFR 24.102(n)(3)(i)(ii), and (iii), must be met before the appraiser, or review appraiser, may act as the negotiator for the acquisition of the subject parcel with a valuation greater than \$15,000 and up to \$35,000, and may not act as a negotiator if over \$35,000.
- A reviewer who signs any part of the appraisal review report, including a letter of transmittal, must also sign a certification.

Comment: Any reviewer who signs a certification accepts responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal review report. Appraisal review is distinctly different from the cosigning activity addressed in Standards Rules 2-3, 6-3, 8-3, and 10-3. To avoid confusion between these activities, a reviewer performing an appraisal review must not sign the work under review unless he or she intends to accept responsibility as a cosigner of that work.