

An aerial photograph of a town and highway interchange. The town features a grid of streets with residential houses and commercial buildings. A major highway with a complex interchange is visible on the right side of the image. The overall scene is in a sepia or brownish tone.

USING COMPENSATION ESTIMATES ON YOUR PUBLIC IMPROVEMENT PROJECT



Iowa Department
of Transportation

INTRODUCTION

The Appraisal Waiver Provision may save acquiring agencies and property owner's time, effort and expense. However, used improperly and in conflict with state and federal laws and regulations, the process may jeopardize state and federal financial participation in the project.

This brochure was designed to assist agencies in the appropriate use of the Appraisal Waiver Provision. For additional information or assistance, contact the Iowa DOT's Property Management section by calling 515-239-1300, or by mail at:

Property Management
Office of Right-of-Way
Iowa Department of Transportation
800 Lincoln Way
Ames, IA 50010

Or visit us at our Web site at:

www.dot.state.ia.us/rightofway/propertymanage/lpac.html

UNDERSTANDING THE APPRAISAL WAIVER PROVISION

The Appraisal Waiver Provision is the legal, authorized process that provides acquiring agencies an alternative to obtaining appraisals in determining fair and just compensation. This process may only be used in very limited and specific situations. A compensation estimate is simply the form used to estimate fair and just compensation as part of the Appraisal Waiver Provision.

The Appraisal Waiver Provision may be used as a part of a simplified acquisition process for non-complex, minor acquisitions with relatively low values. For this type of acquisition, the acquiring agency may determine that obtaining an appraisal is unnecessary. Developing a compensation estimate as part of the Appraisal Waiver Provision is an alternative method for estimating the amount to be offered to the property owners as just compensation. A compensation estimate is **not** an appraisal. It's a compensation estimate and is **used in lieu of** an appraisal; hence the phrase "Appraisal Waiver Provision."

State and federal laws and regulations allow for the use of an Appraisal Waiver Provision. Iowa Code Section 6B.54 (2) provides for an Appraisal Waiver Provision. These laws specify that procedures may be developed for waiving an appraisal requirement in specific cases. The Iowa Department of Transportation's procedure has been approved by the Federal Highway Administration for use when there is federal participation in a project.

PURPOSE OF THE APPRAISAL WAIVER PROVISION

The basic premise of the Appraisal Waiver Provision is to provide an opportunity for the acquiring agency and property owner(s) to save time and resources when very small and uncomplicated acquisitions are required for public improvement projects. The property owner should be able to meet with one person and receive all the information necessary for the owner to make an informed decision. The property owner should see how the value was established, receive an offer of just compensation, and have an opportunity to sign all the necessary documents, if they choose.

Providing all information during one visit allows the property owner and acquiring agency to reduce the time, effort and inconvenience of multiple representatives and calls.

STEP-BY-STEP GUIDE FOR UTILIZATION OF THE APPRAISAL WAIVER PROVISION

The Appraisal Waiver Provision is most effective when the property owner understands how and why the process is being used. One person should prepare and present the compensation estimate. A suggested step-by-step guide has been provided.

- **Step 1:** Review the project to determine which parcels will require an appraisal and which parcels, due to their uncomplicated nature, may be eligible for a waiver of the appraisal process.
- **Step 2:** For parcels eligible for an appraisal waiver, start by gathering market information pertaining to values of similar properties.
- **Step 3:** Establish a pre-approved range of land values to be considered.
- **Step 4:** Develop the compensation estimate with the property owner's involvement.
- **Step 5:** Give the owner the compensation estimate and offer to purchase at the same time. Contracts, deeds and other items should be prepared in advance so that they are readily available, if the owner agrees to complete the transaction.
- **Step 6:** Provide any and all other information necessary for the owner to make an informed decision.
- **Step 7:** Provide the owner reasonable time to think about the proposal.
- **Step 8:** Negotiate in good faith.
- **Step 9:** Document the file with an appropriate administrative approval of the compensation estimate.

ACTIONS TO AVOID

- Do not prepare the compensation estimate before meeting with the owner.
- Do not mail the compensation estimate before meeting with the owner.
- Do not have one person write the compensation estimate and another acquire the property.
- Do not use the Appraisal Waiver Provision if any complexity in determining value exists.

WHEN THE APPRAISAL WAIVER PROVISION MAY BE USED

The Appraisal Waiver Provision may be used when:

- a simple, uncomplicated, minor acquisition is involved;
- total compensation (excluding cost of tillage, fertilizer, growing crops, agricultural right-of-way fence, and scheduled additional length of drive) is less than \$10,000; and
- one person is qualified to value and acquire the property.

WHEN IS AN APPRAISAL REQUIRED?

If the answer to any of these questions is yes (or even maybe) the parcel most likely requires an appraisal. Any “yes” responses should be reason to question the use of the Appraisal Waiver Provision.

- Is estimating the property’s value difficult due to a lack of sufficient market data (comparable sales)?
- Is the anticipated value of the proposed acquisition over \$10,000?
- Is the anticipated value of the proposed acquisition anything more than a strip acquisition?
- Are buildings, wells, signs, etc. affected?
- Is the anticipated value of the proposed acquisition severing any buildings from the remainder?
- Are trees, shrubs or any other landscaping involved?
- Does moving the proposed right-of-way line require analysis of possible proximity damages?
- Is access to the property changed or limited?
- Is the current highest and best use of the property going to be changed as a result of the proposed acquisition?
- Does a significant amount of the total compensation involve items other than land value?
- Are there any borrow areas?
- Is there reason to believe this parcel will proceed to condemnation?
- Is more land than actually needed being acquired?
- Does the proposed acquisition impact the sewage disposal system or property drainage?
- Are there any other considerations that complicate the valuing of this parcel?

MINIMUM QUALIFICATIONS TO PREPARE COMPENSATION ESTIMATES

Anyone with a basic understanding of real estate and knowledge of land values in the local area can implement the Appraisal Waiver Provision, prepare a compensation estimate and acquire property. The necessary administrative approval may be performed by any agency official with the qualifications to prepare a compensation estimate.

Preparation of compensation estimates does not require an appraiser. An appraiser should not prepare the compensation estimate unless he/she is also going to acquire the property.

HOW SHOULD VALUES BE EXPLAINED?

Values used for the Appraisal Waiver Provision should require little explanation. Land values are estimated through the use of two or three recent sales in the same market area. Any reduction in value of the remaining property should simply reflect token or minimal payments. If schedules are used to pay for these items, apply the schedule consistently throughout the project.

If an explanation of how the reductions in value were arrived at is necessary, an appraisal is probably required. The Appraisal Waiver Provision is only authorized for uncomplicated acquisitions. It is incorrect to assume that a compensation estimate is acceptable to use simply because the compensation is under \$10,000 and significant severance damages do not exist. If market research and analysis are needed to determine there are limited or no severance damages, an appraisal is required.

WHAT SHOULD THE COMPENSATION ESTIMATE CONTAIN?

A sample form has been provided on the back of this brochure.

ENSURING COMPLIANCE AND ELIGIBILITY

Contact your local public agency coordinator if:

- there are questions about which parcels on a project require an appraisal;
- there are questions about how to implement the Appraisal Waiver Process;
- there are concerns about whether the process conforms with regulatory requirements; or
- more information is needed regarding specific state and federal laws and regulations.

WHO TO CONTACT FOR MORE INFORMATION OR ASSISTANCE

Your Local Public Agency Coordinator/Property Manager

Property Management

Office of Right-of-Way

Iowa Department of Transportation

800 Lincoln Way

Ames, IA 50010

Phone 515-239-1300

Fax 515-233-7859

Or visit us at our Web site at:

www.dot.state.ia.us/rightofway/propertymanage/lpac.html

Compensation Estimate

Parcel No. _____ Project No. _____ County _____

Record Owner(s): _____

Owner(s) mailing address: _____

Tenant(s): _____

Tenant(s) mailing address: _____

Subject property address: _____

This property is described as: _____

Basis for land value estimate: _____

Land to be acquired: Fee title _____ acres @ \$ _____ = \$ _____

Permanent easement _____ acres @ \$ _____ = \$ _____

Other considerations: _____ = \$ _____

Total Estimate = \$ _____

Certification:

I hereby certify that I am familiar with the property which is the subject of this estimate, that the estimate is based upon data contained in the files of the Agency, that I have no direct or indirect present or contemplated future personal interest in this property or in any benefit from the acquisition of this property.

*Compensation for R/W fence to be by fixed schedule or in accord with Section 6B.44 Code of Iowa

Approved by:

DATE OF ESTIMATE

Signed _____
Estimating Agent

DATE _____