

**STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
REQUIREMENTS OF WRITING APPRAISAL REPORTS**

I: GENERAL DATA

A. Cover Page

Photo of Property, Name of Record Owner, State Airport ID, Job Number, Parcel Number, Federal Item Number, Federal Project Number, Mail Address or Location of Subject Property. Appraiser's Name and Address.
Show interest appraised: Fee Simple Estate, Lessee's Interest, Life Estate, etc.

B. Table of Contents. (Use Form 633V provided by the Michigan Department of Transportation or Airport Sponsor).

C. Summary of Salient Facts

Before: Brief description of type of property, total area, highest and best use, value indicated via cost approach, income approach, and sales comparison approach; correlated conclusion of before value, and date of appraisal valuation.

Take: Brief description of land and improvements within the take, including the land area.

After: Brief description of type of property remaining, area of property remaining, highest and best use, value indicated via cost approach, income approach, sales comparison approach and correlated conclusion of after value.

D. Legal Description of Ownership

Use description for entire property as furnished by the Department or Sponsor, or as you ascertain it from field review. If you find a serious discrepancy, please advise the Department or Sponsor.

E. Assessed Valuation and Taxes

Show assessed value of property together with taxes for current year. (Comment on stability of assessment or tax rate at this point, especially on income properties; it will serve as your support for taxes in estimating expenses in your income approach.)

F. Zoning

State existing zoning and/or land use restrictions and uses permitted under same. Verify with the property owner and/or municipal offices if there have been any zoning changes and/or special use permits applied for in the past five years.

G. Sales History of Property

It is required that all sales of the subject property in the past 5 years be reported showing the parties to the transaction, date of purchase, and wherever possible to obtain: the verified sales price, recording data, liber, page, and etc. If you find the property has sold, but cannot verify the sales price, explain what efforts you made to obtain this information.

If there have been no sales of subject property within 5 years immediately preceding your appraisal, simply state: "NONE IN PAST 5 YEARS" under this heading.

H. Ownership, Occupancy, and Contact with the Owner:

The property owner or his/her representative must be contacted by the appraiser and offered the opportunity to accompany the appraiser during his/her inspection of the property. A statement must be included that "I offered the owner or his/her designated representative an opportunity to accompany me during the inspection of the property, and he/she accepted or declined". Show the date of inspection and name of person who accepted or declined the offer. It is important that this report include that information which will be of benefit to the Department or the Sponsor in acquiring the right of way. A complete report of your contact with the owner must be included in the appraisal. If the appraiser is not able to contact the owner, state what effort was made, setting forth dates of attempted personal interview and copies of correspondence. All owners of any interest must be given the opportunity to accompany the appraiser. This includes tenant owners of buildings, structures, and improvements upon the property to be acquired.

List all dates property was inspected.

Frequently the property under appraisal will be occupied by someone other than the record owner. It is your responsibility to confirm the name of the occupant(s), and what entitles them to possession. All copies of available leases and/or land contracts shall be included in the addendum.

If the occupant is a contract purchaser, you should state where the owner of record can be contacted during negotiations.

If the contract purchase or lease does not include the whole property under appraisal, bring such facts to the attention of the Department or Airport Sponsor.

I. Interest Appraised

Indicate all interests that are included in your before and after valuation of the property, such as fee simple estate, fee interest, lessee's interest, lessor's interest, contract purchaser's interest, & etc.

J. Purpose of the Appraisal

Clearly set forth the purpose for which the appraisal is being prepared. All appraisals prepared for the Michigan Department of Transportation or Airport Sponsor are obtained with the objective of reflecting an estimate of market value. The following definition of market value has been accepted by the Courts in the State of Michigan, and each appraisal must clearly set forth this definition of market value under the purpose of the appraisal so there will be no confusion as to the appraiser's interpretation of market value:

“The market value of land or real estate is the highest price estimated in terms of money that the property will bring if exposed for sale in the open market with a reasonable time allowed to find a purchaser buying with knowledge of all the uses and purposes to which it is adapted and for which it is capable of being used; the amount which property would bring if it were offered for sale by one who desired, but was not obligated, to sell, and was bought by one who was willing, but not obligated to buy; what the property would bring in the hands of a prudent seller, at liberty to fix the time and conditions of sale; what the property will sell for on negotiations resulting in sale between an owner willing but not obliged to sell and a willing buyer not obliged to buy; what the property would be reasonably worth on the market for a cash price, allowing a reasonable time within which to effect a sale.”

In estimating just compensation for the acquisition of real property, the appraiser shall, to the greatest extent practicable under State law, disregard any decrease or increase in the fair market value of the real property prior to the date of valuation caused by the public improvement for which such property is acquired, or by the likelihood that the property would be acquired for such improvement, other than that due to physical deterioration within the reasonable control of the owner.

K. Discussion of Appraisal Problem

The appraiser should set forth a thorough discussion of the appraisal problem which would make general reference to the condition of the property in its before state and similar discussion as to the condition of the property in the after situation. The appraiser will discuss any peculiarities of the property that would tend to affect the complexity of the appraisal analysis in either the before or after situation.

L. Fixtures

If the property contains specialized fixtures, i.e. industrial machinery, production equipment, that is not usually bought and sold with the real estate, these items will be evaluated by a specialist in the field of industrial valuation. When this situation arises, you will be furnished with a copy of the fixture coverage. You are to review this list of fixtures and determine that you have not duplicated the fixture valuation coverage. The following statement of fixture evaluation, when applicable, shall be set forth in this section of your report:

“I have reviewed the fixture coverage list on this parcel and the fixtures are commensurate with the highest and best use of the real estate. To the best of my knowledge I have not duplicated in my approaches to value the valuation covered by the fixture appraisal.”

M. Noncompensable Items

The appraiser to the best of his/her ability shall exclude any damages that arise from a noncompensable source as outlined on the attachment.

If it appears necessary for the appraiser to arrive at a conclusion regarding noncompensability, he/she shall request assistance from the Department or Sponsor.

N. 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 of, property owners and/or their representatives. Include their knowledge of past uses of subject property and adjoining properties. Promptly report suspected hazardous waste or contamination problems to the Department or Sponsor. If, in your observation, you find no evidence of hazardous waste or contamination, that statement should be made in this section.

The following statement must be included in your appraisal report: "For purposes of this appraisal assignment the appraiser has been informed by the Michigan Department of Transportation or Airport Sponsor that the subject property should be valued under the assumption that the property is free of any and all contaminants. The Department or Sponsor further advises that it intends to reserve its rights to bring federal and/or state cost recovery actions against the present owner of the property arising out of a release of hazardous substances at the property. No evidence of hazardous or toxic waste was observed by the appraiser; however, this appraiser is not versed in nor qualified to detect contaminated conditions. Expert testing should be done, if so desired."

II: VALUATION OF PROPERTY BEFORE TAKING (ENTIRE PROPERTY):

A. Description of Property:

Describe in detail the physical features of the property, i.e. land area, road frontage, topography, type of utility services, timber or wood lot, and soil type and condition (when applicable). Include pertinent detail regarding hazardous waste or contamination. Detail the physical description and condition of all buildings and land improvements. All buildings shall be numerically designated, i.e. Building #1, Building #2, etc. A floor plan of the primary buildings showing room sizes is required and shall be included in the Addendum Section VII, Paragraph A.

B. Present use of Property:

State and describe the existing use of the property. If the present use is different than that permitted by existing zoning, state the conditions by which it is permitted.

C. Highest and Best Use of Property:

Make a comprehensive statement setting forth your opinion of the use that would result in the greatest net return on the property. If more than one use is indicated, describe in detail, stating why you believe the different uses are appropriate. If the highest and best use as considered by the appraiser is in conflict with existing zoning, a detailed explanation as to the reasonable probability of effecting a change must be provided setting forth all interviews with public zoning officials and all other governing authorities.

D. Estimated Value via Cost Approach:

If the property is improved, this approach may be applicable and should be given consideration. If the property is improved and this approach is not utilized, the appraiser must state why it is not reliable.

When this approach is used, the following analysis must be detailed:

1. An explanation of the cost estimate, stating source of cost data together with the appraiser's analysis of the cost data.
2. Consideration of all types of accrued depreciation (physical, functional, and economic) with an explanation and justification of applicable depreciation.
3. The estimate of the land value as if vacant. The appraiser shall document and justify the estimate of land value by the analysis of comparable sales, or from a land residual income approach of sales of properly improved comparable land. The appraiser should only utilize the land residual income approach as a last resort. If this method is used, a complete explanation must be given as to why no comparable sales were available. This statement applies to all three approaches to value.

E. Estimated Value via Income Approach:

This approach should always be used in cases where the market value is influenced by the income derived from the property. In all cases where this approach is used, it will be necessary to fully explain and support the economic rent used by citation of specific rentals of similar properties, showing relation to subject property.

The estimate of vacancy and credit losses and the operating expenses must be explained. The capitalization rate as estimated from current interest return on similar investments in real property and recapture requirements of the subject improvements must be adequately explained.

If this approach is not used you must state your reasons why it is not reliable.

If the comparable rentals include fixtures as well as real estate, it is important that the appraiser's analysis reflect the contributing value of the fixtures in this approach to value and that they not be duplicated under Section I, Paragraph L.

F. Estimated Value via Sales Comparison Approach:

It is required that this approach to value be utilized in all appraisals. If, in the appraiser's opinion it is not reliable or applicable, he/she is required to set forth in detail justification for its omission.

In the application of the sales comparison approach, the appraiser is required to make a thorough investigation of the market activity on similar properties. The appraiser shall relate the degree of comparability to at least three comparable sales by direct comparison with the subject property. (If there is inadequate market data available to utilize three comparable sales, the appraiser shall fully discuss his/her research in an attempt to locate market data transactions.) Adjustments for differences between the subject and comparables shall be fully explained as to the appraiser's reasoning.

A detailed explanation is required for all items of dissimilarity between each comparable sale and the subject, when that dissimilarity entered into the subject's value estimate. The detailed explanation must contain the appraiser's reasoning for the various elements of adjustment in sufficient detail to allow a review appraiser to make a sound judgment as to the validity and acceptability of the appraiser's adjustments. A comparison grid showing adjustments expressed in dollars or percent is required.

Lump sum adjustments are not acceptable. Each item of dissimilarity must be discussed and applied as an individual adjustment.

It is required that all comparables used by the appraiser for comparison with the subject property be reported in complete detail in the Addendum. See additional requirements for comparable report in Section VII, Paragraph C of these guidelines.

If the subject property being appraised contains fixtures which are also included in the comparable transactions utilized in support of this approach, it is imperative that the contribution of fixture value be reflected in this approach to value, and not duplicated by separate fixture appraisals under Section I, Paragraph L.

G. Correlation and Conclusion of Value (Before Taking):

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 reliable 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 of all factors of value, that the ESTIMATED MARKET VALUE BEFORE TAKING is: \$ _____.

III: DESCRIPTION OF TAKING:

- A. Interest to be acquired: Fee simple, easement, grading permit, etc.
- B. Fully describe land and land improvements within the taking and reference building improvements within the taking by their numerical designation (same designation used in Section II-A), if applicable.
- C. Fully describe the effect of the taking to the remainder property, including any physical changes and consequences brought about by the proposed public improvement, i.e. changes in grade, access, exposure, proximity, etc. Careful consideration must be given to the effect of the taking with regard to any business operation, whether owner or tenant operated, in the After situation.

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IV: VALUATION OF PROPERTY AFTER TAKING:

- A. Description of (Remaining) Property

In viewing the remainder property, the appraiser should analyze it as a new parcel with considerations given to the effect of the taking.

Fully describe the remaining lands, buildings, areas, shape, access, and whether the remainder is contiguous or divided into two or more parcels.

B. Highest and Best Use of Property:

If there has been any change in the highest and best use, fully explain why the change has come about; i.e. from full time farm to rural residential, from farm to commercial, nonconforming, etc. Make a comprehensive statement setting forth your opinion of the use that would result in the greatest net return to the remainder property. If more than one use is indicated, describe in detail, stating why you believe the different uses are appropriate. If the highest and best use is in conflict with existing zoning, a detailed explanation as to the reasonable probability of effecting a change must be provided setting forth all interviews with public zoning officials and other governing authorities together with their past actions on similar cases.

C. Estimated Value via Cost Approach:

If you use the cost approach in the before value, it may well be reliable in the after value assuming that all or a portion of the improvements are on the remainder.

Your cost new on the remaining improvements would likely remain constant and it would only be necessary to reconsider the accrued depreciation for any functional or economic obsolescence as a result of the right of way taking, plus adjustments for changes in land value.

D. Estimated Value via Income Approach:

If you use the income approach in the before value, in many cases you can document that your after value by setting up a new income approach which would then require a new estimate of economic rent, expenses, and capitalization rates. Justification for the data used to support this approach will be required in the same manner as in the income approach utilized in the before value.

E. Estimated Value via Sales Comparison Approach:

Only in very limited and unusual circumstances should occasions arise when the appraiser does not have market data that can be used to support an after value by the sales comparison method. In situations where the taking has very little effect upon the remainder, the same sales that were used in the before situation can be utilized in support of the after value.

If there are major changes in the remaining property as a result of the taking, the appraiser should make every effort to locate and use similar comparables in size and condition in the immediate vicinity. It is recognized that the taking often leaves the remainder property in a unique situation, and open market transactions reflecting value for the remainder condition are at times not readily available.

If the appraiser is unable to find any sales to support the after value by his/her own search of the market, it is required that he/she review the remainder sales on file in the Region Office, in an effort to locate sufficient supporting documentation for the after value.

In complex or unusual appraisal problems, the appraiser may feel it necessary to contact the Region Office for their help in the location of specific sales information that may prove helpful in the solution of the appraisal problem. The inquiry should include control section, job number, and parcel number.

F. Cost-To-Cure:

All cost-to-cures must be tested for feasibility. For the cure to be considered feasible, total compensation for real property, damages, and the cost-to-cure, should not exceed estimated compensation for the subject in an uncured situation. If this compensation exceeds the estimated compensation for the subject's uncured remainder, the cure is not considered feasible.

G. Correlation and Conclusion of Value (After Taking):

List your estimate of value as indicated by your applicable approaches to the after value. Discuss their degree of reliability and the approach you feel a prudent purchaser would give the most credence. If you have instances wherein you cannot find sufficient data in the market place to support any approach to the value of the remainder, you will be explicit in your discussion of what caused you to assign the remainder values. In other words, document your line of reasoning and your exercise of experience and judgment.

Make a statement that having applied all the applicable approaches to value and/or having exercised your experience and judgment that the ESTIMATED MARKET VALUE AFTER TAKING IS \$_____.

NOTE: Wherever the remainder is divided into two or more parcels the appraiser is required in his/her summary to divide the after value to show the contribution of each remainder to the total after value. This must be done in order that the Michigan Department of Transportation or Airport Sponsor can acquire isolated tracts that are a portion of the remainder.

H. Recapitulation of Before and After Values:

Estimated Market Value Before:	\$ _____
Estimated Market Value After:	\$ _____
Difference:	\$ _____

I. For accounting purposes on partial takings, the above compensation may be distributed as follows:

Real Property:	\$ _____
Damages:	\$ _____
Total:	\$ _____
Less Benefits:	\$ _____
Difference:	\$ _____

V: VALUE OF THE PART TAKEN APPRAISAL REPORTS:

- A.. At the Department or Sponsor's option, this type of report may be used when the taking results in no damage to the remainder, or when relatively minor damage can be negated by a cost-to-cure which would be less than the resulting damage.
- B. The appraiser is to estimate the value of the taking as it relates to the whole. This means the take area is not to be considered as a separate entity. The appraiser will need to address the land value of the entire parcel, before he/she can reflect the contribution of the part taken, as it relates to the whole. For example: If the entire parcel was ten acres and the taking was one acre, the appraiser must obtain comparables of ten acre parcels and estimate the per acre unit value of a ten acre parcel. This unit value would reflect the estimated value of the one acre taking, as it relates to the whole. This is assuming the taking results in no damage to the remainder, other than the value of the land taken.
- C. The appraiser must consider possible damages to the remainder; and if damages appear evident, determine if there is a cure, and the cost of that cure. Any cost-to-cure should be limited to improvements located within the acquired area. These improvements should be limited to non-structure items, such as: fencing, landscaping items, septic systems, water wells, small sheds, & etc. They should not include modifications to, or relocation of, substantial structures, or parking reconfigurations to meet setback and/or zoning requirements. It is not the intent to attempt to cure damages to the remainder, but rather to replace items within the acquired area. If damages can not be cured, he/she should contact the Department or Sponsor immediately.
- D. If damages do not exist, you must state in your appraisal that you have considered damages, and that in your opinion, they do not exist.
- E. In this type of appraisal report, the appraiser is estimating the value of the part taken, and would not be estimating the before and after values of the subject property. All other requirements of writing appraisal reports would apply. The appraiser is to utilize a table of contents that indicates a value of the part taken report, in lieu of the standard table of contents utilized for a Before and After report. The Certification page should also indicate Value of the Part Taken.

VI: CERTIFICATION:

Use Form 633K, provided by the Michigan Department of Transportation or Airport Sponsor. The date of valuation shall be the date the appraiser completes his/her appraisal process and signs the appraisal report. If the last date of personal inspection of subject property precedes this date, limiting conditions can be set forth to the effect that the valuation date assumes the property to be as inspected on said inspection date. (Note: Appraisal report shall be submitted to the Department or Sponsor no later than 10 days subsequent to date of valuation.)

A Divider Page with index tab is required to be inserted between Section VI (Certification) and Section VII (Addendum).

VII: ADDENDUM:

A. Sketch

A sketch is required indicating the following information:

1. Control section, job number, parcel number, & owner's name.
2. Total land area (indicate all easements, including existing ROW easement).
3. Boundary dimensions, location and dimensions of buildings numerically designated (large parcels show building site and improvements by insert), distance to abutting streets or highways, plus other significant features of the property.
4. In the case of partial takings, also show land area taken, buildings and improvements within the taking, distance from the taking line to remaining improvements, and similar land dimensions, areas and improvement data for remainder(s). The sketch(s) must clearly identify the property's improvements, dimensions, and setbacks in both the Before and After situation.
5. Show well and septic system locations (if applicable) on all sketches, regardless of type of taking.
6. Sketches should show north arrow, and be to scale and/or show appropriate measurements.

B. Photographs:

Include a sufficient number, properly identified as to location, date and photographer, to show significant features of the property. Appraisal reports shall include color photographs of all above-ground improvements or unusual features affecting the value of the property. Photographs shall be identified as to the date taken, by whom and position from which taken, and other information deemed essential by the appraiser.

C. Comparables:

A complete description and location map of all comparable data specifically utilized in the analysis of the appraisal report is to be included in the addendum. This map should identify comparable locations, as they relate to the subject property. Identified color photographs are required of all comparable sales. The appraiser must complete MDOT Form A612G (Comparable Information) for each comparable utilized in the report. If the appraiser deems any box on this form to be non-applicable, he/she should indicate it as such. The minimum description and/or required data must include the following:

- * Photograph of property (Extra photographs may be required to indicate particular items or features)
- * Address of property
- * Location and directions to property
- * Date of sale
- * Name of parties to the sale
- * Date of inspection
- * Name, phone number, and date of verification for each party (buyer, seller, and/or broker) with whom sale was verified
- * Consideration paid
- * Financing Terms
- * Unit Price Paid (Price per square foot, acre, front foot, etc.)
- * Detailed physical description of land, including land area and any existing easements
- * Conditions of sale (motivation)
- * Was this an arm's length transaction
- * Exposure time on market
- * Was it purchased for assemblage

- * Any special considerations in sales price. For example: Fixtures, inventory, goodwill, demo costs, utility hookups, site work, buyer's closing costs, etc.
- * Highest and Best Use at time of sale (and current, if different)

- * Buyer's intended use
- * Was comparable sales price influenced by the subject property's pending project
- * Current zoning and permitted uses
- * Any zoning changes applied for in the last five years
- * Any special use permits applied for in the last five years
- * Does the buyer and/or seller have any proposed site plans for the subject property
- * Road and/or street type
- * Utilities available at site
- * If public sewer is not available at site, what is the nearest location and probability of hookup
- * If public water is not available at site, what is the nearest location and probability of hookup
- * How does this property compare with typical properties in the neighborhood
- * Shape and Topography
- * Soil types
- * Environmental Items: (On-site tanks, contaminates, or hazardous material)
- * Required copy of respective document attached: i.e. deed, land contract, lease, etc.
- * Property I.D. #
- * Legal Description
- * Detailed physical description of improvements, including square footage of primary buildings
- * Appraiser's remarks, if any, about comparable property.

Verification must be made with buyer, seller, or broker; if these sources are not available, the appraiser shall discuss the validity of the source of verification.

D. General Area, City and Neighborhood Information:

Describe area geographically, economy-wise, trends up or down, proximity to shopping, churches, schools, & etc.
Accessibility via major streets or highways and work areas.

E. Statement of Limiting Conditions:

Where necessary, set forth any limiting conditions or assumptions that apply to values estimated.

F. Appraiser's Qualifications

GENERAL NOTES:

The respective requirements will need to be included in all appraisal reports prepared for the Michigan Department of Transportation or Airport Sponsor. Reports not meeting this criteria will be subject to return for correction. In addition to MDOT's requirements, the appraiser will be expected to prepare the report in accordance with USPAP rules, criteria, and guidelines that are current as of the date of the report.

* All appraisers should be familiar with [existing laws and regulations impacting properties in the vicinity of an airport](#) (such as the [AERONAUTICS CODE](#), [Title 14:Part 77](#), [Title 14: Part 91](#), [Michigan Tall Structure Act](#), and [Airport Approach Plans](#)) to determine if there are any existing restrictions on properties in the project area. APPRAISERS SHOULD CONSIDER [APPROACH PROTECTION PLANS](#) TO DETERMINE CURRENT AND FUTURE IMPACTS ON ZONING (and any corresponding impacts on value) FOR PROPERTIES SURROUNDING LICENSED PUBLIC USE AIRPORTS.

** BEFORE AND AFTER APPRAISALS ARE REQUIRED TO BE COMPLETED FOR AVIGATION EASEMENTS UNLESS *"the easement acquisition will not affect the remainder land or improvements (e.g. approach easement over agricultural land) "*. IN THESE INSTANCES, *"the appraiser may apply a "part taken" approach citing their supported finding that the easement conveyance and use has no affect on remainder property"*. IN MOST INSTANCES APPRAISERS SHOULD BE INSTRUCTED TO VALUE THE AIR RIGHTS ACQUIRED AND THE RIGHT TO CUT OR REMOVE TREES (e.g. trees should be treated as real estate and NOT as fixtures unless the trees are grown for a business such as a tree farm).

*** Unless market data support can be found, an appraiser should never rely on a percentage or formula adjustment to reach a valuation conclusion by the use of averages, median, or means produced by the sum of available data. Without market data the use of formulas are inaccurate and outside the realm of real estate appraisal principle and theory. The use of formulas suggest a loss in value without considering highest and best use and often substitute appraisal judgment for damages that cannot be justified by market actions and influences. An accurate estimate of value will rely on the individual appraiser's knowledge of market influences and sales data. The validity of an appraisal report is determined through sound market research and a logical explanation and correlation of the information the market provides.