

835-RICR-30-00-3

TITLE 835 – NARRAGANSETT BAY COMMISSION

CHAPTER 30 – PURCHASING AND ACQUISITIONS

SUBCHAPTER 00 - N/A

PART 3 – Review Appraisal Procedures for Federally Funded Acquisitions

3.1 Purpose

To establish a defined procedure for the Narragansett Bay Commission (hereinafter the "Commission") for the conduct of reviewing appraisals for federally funded acquisitions.

3.2 Authority

This regulation is promulgated pursuant to the authority granted in R.I. Gen. Laws § 37-6-28.

3.3 Applicability

These regulations shall be applicable only for projects that will be federally funded, in whole or in part. Nothing herein shall prevent the Commission from seeking waivers from the review appraisal process with the appropriate federal funding agency.

3.4 Delivery of Appraisals

When the independent appraiser(s) complete(s) the assignment, the material is to be forwarded to the Project Coordinator who shall forward the appraisals to the Review Appraiser, who is hired by the Commission to review independent appraisals.

3.5 Authority and Responsibilities of the Review Appraiser

- A. The Review Appraiser is authorized to determine the market value of compensable damages. The amount is used as the basis for subsequent negotiations and settlements. In making this determination, the Review Appraiser is obligated to consider all information available, including appraisals prepared for the Commission by a qualified appraiser representing the property owner,

recent court awards on similar properties in the same area, and any other pertinent value information.

- B. The inherent analytical ability and judgment of the Review Appraiser cannot be strictly defined, nor can they be subject to exact guidelines. Having followed the required steps and having subjected all available data to a critical analysis, the Review Appraiser must apply expertise in making a series of supported and documented determinations as follows.
1. That the compensation estimated in the appraisal report represents the best determination of market value for the property rights to be acquired or for disposition.
 2. That the appraisal report contains all the information and documentation necessary to substantiate the conclusions and estimates of value assigned by the appraiser. In the absence of adequate appraisal information or conclusions of value, the appraisal will be returned to the appraiser for additional support and/or revisions.
 3. That the appraisal does include consideration for all compensable items, damages and benefits, and that it does not include compensation for those items that are non-compensable under State Law.
 4. That the appraisal contains an identification or listing of the building, structures, and other improvements located on the parcel as well as an identification of the fixtures, which the appraiser considers to be a part of the real property to be acquired.
 5. That an equitable balance of appraisal damages has been obtained on a project basis.
- C. In evaluating the appraiser's work, the review must draw a reasonable conclusion and be persistent in obtaining any essential support that is lacking in the appraisal report, and must never attempt to dictate value or impose opinions upon the appraiser. Conversely, the Review Appraiser cannot accept unsupported opinions advanced by the appraiser.
- D. While the Review Appraiser is granted broad authority, it is tempered by serious limitations. Any changes that may be requested in an appraisal report cannot be arbitrary or capricious, but must be supported by reason and documentation. Without sound and supporting reasoning, the Review Appraiser may not substitute personal judgment for that of the appraiser's opinion, especially if it merely involves the substitution of one opinion or judgment for another. The Review Appraiser must never instruct an appraiser without support to change the

appraisal. The appraisal at all times must reflect the judgment of the appraiser who produced it.

- E. In exercising these responsibilities, the Review Appraiser is granted the following specific authorities:
1. Concurrence: If an appraisal is acceptable without reservation, a simple endorsement to this effect on the review form will suffice for approval.
 2. Return of Appraisals or Need for Corrections or Additional Information: If the Review Appraiser believes that an appraisal is lacking in its development of value, requires another approach, corrections, or additional information, the reviewer is granted the authority to return the appraisal report to the appraiser or to request the corrections or additional information. All such actions shall be in writing. Copies of both the original appraisal and the request for corrections or additional information shall be retained in the parcel file.
 3. Modification of Damages: If there is disagreement with appraised damages, the Review Appraiser may alter the estimate of fair market value by a narrative development of the reasons on the review form, supplemented by the amount of documentation necessary to fully support his determination of value.
 4. Correction of Minor Errors: The Review Appraiser may supplement an appraisal report with the correction of minor mathematical errors where such errors do not affect the final estimate of value. The Review Appraiser may also supplement the appraisal where the following factual data has been omitted:
 - a. Project and/or parcel number.
 - b. Owner's and/or tenant's names.
 - c. Parties to transactions, date of purchase, and deed book reference on the sale of subject property and comparables.
 - d. Statement that there were no sales of subject property in the past five (5) years.
 - e. Location, zoning, or present use of subject property or comparables.

5. Substantial Variance: During the review process, a variance between two appraisals may be resolved by the Review Appraiser by extracting or interpolating the values set for separate segments of each report.
6. Under circumstances of divergence, it may be desirable for the Review Appraiser to arrange for a conference with the individual appraiser(s). The role of the Review Appraiser would be to arrange some acceptable basis of common thinking and value among all parties while still preserving the individual thoughts and professional judgment of the appraiser. In most instances, there does exist a common basis of substantial agreement even though the final appraisal reports may not arrive at the same conclusion of value.
7. Divergent Opinions: A much more critical situation arises when there is no common basis of understanding or agreement between the consultant appraiser(s) and Review Appraiser, and neither appears willing to modify or alter their thinking. Under these circumstances, the Board of Commissioners or its designee(s) and the Review Appraiser must make the determination of whether to use an existing appraisal report(s) or whether to proceed and obtain a second or third appraisal report.
8. There are, of course, appraisal problems that are not subject to a simple "yes or no" answer, but rely on interpretation of data or interpretation of economic trends. The resolution of these areas must be accomplished through a critical analysis of the logic and reasoning. The premise must be maintained that the professional conclusion of the appraiser can only be overturned by the Review Appraiser's logical and supported judgment.
9. Every appraisal report approval does not have to bear the complete unqualified endorsement of the Review Appraiser, but should be made in the context that the appraisal report is within a reasonable range of value and generally represents an acceptable value determination.

3.6 The Review Process

- A. The review process operates in conformance with the Rhode Island General Laws and the Federal Uniform Relocation Assistance and Real Property Acquisition Policies for Federal and Federally Assisted Programs (42 U.S.C. § 4651).
- B. The Reviewer has both a routine function, such as factual and mathematical verification and an analytical function. He/she is responsible for assuring that all computations within the appraisal report are correct. This includes verifying that factual information is accurate. It also includes proper identification of the

property being appraised and the conformance with standard appraisal procedures and Federal guidelines. The analytical function of the review process and an analysis of the appraiser's reasoning are the most important aspects of this process. In this portion of the review, the individual should be concerned with the general analysis of the appraiser's thought process and the approach of the appraisal problem to the current real estate market. The Reviewer must be sure that the appraiser has not only prepared a report that meets all technical requirements, but more importantly, that the final estimate of market value adequately reflects just compensation. It is not the Reviewer's function to second guess the appraiser, but rather to assure that the Commission's estimate of market value is supported, and fair and equitable to the property owner, the tenant, and the public.

C. Responsibilities of the Review Appraiser:

1. The Reviewer must:
 - a. Verify all data contained in the appraisal report such as zoning classifications, tax rates, square foot area affected, adjustments, etc.
 - b. Ascertain that all computations and calculations in the appraisal report are correct. This would include cubic or square foot computations; referral and recalculation of cost index figures used; calculation of interest rates, land areas; the transposition of all the data on the comparable sales from the project data book to the appraisal report; verification of correct plat and parcel numbers; ascertaining that proper identification is contained on all photographs, and that all sales have been appropriately verified, etc. In substance, this check is of all the specific data used in the appraisal.
 - c. In addition to verifying the property zoning classification against the appraiser's determination of same, verify the tax assessment data. The Reviewer should also verify all physical details of the subject property such as land areas, improvements, building measurements, and topography. He/she must review the sales location map, property sketch, and the drawings indicating the areas of the land acquisition and/or temporary and permanent easements. The construction plans and cross sections should be reviewed to determine if the effect of construction is correctly reported and interpreted in the appraisal report.

- d. As the review of the appraisal is completed, the completed project is given to the Project Coordinator, along with a notation of the deficiencies and/or recommendation for payment. In the case of a questionable appraisal, the Project Coordinator must make the determination as to what steps are necessary on the part of the appraiser prior to payment being authorized.

D. Market Value Review

1. The second portion of the review process is the establishment of the Commission's estimate of market value. This review, discussed in § 3.5 of this Part under Authority and Responsibilities of the Review Appraiser, is accomplished through:
 - a. A qualitative analysis of each appraisal report, including an evaluation of the plans and specifications to ascertain a determination of direct and indirect damages and that the value after acquisition is consonant with the effect of construction and the right of way appraisal requirements.
 - b. Verification that the mandated personal inspection of each property appraised is performed including a personal inspection of the interior of all buildings acquired or damaged.
 - c. A thorough check and analysis to be sure that all factual and supporting data is included in the appraisal.
 - d. A personal inspection of all comparable sales. When buildings are acquired or damaged, the Review Appraiser will perform a complete interior inspection of the applicable comparable sales. If a large number of sales are involved, he/she will perform sufficient interior inspections to check on the qualitative and quantitative judgments contained in the appraiser's analysis.

E. Uneconomic Remnant

1. Once a review is completed of the "before and after" appraisal format, the Review Appraiser may be of the opinion that the remainder portion of the subject parcel had been affected to a degree that it would be considered to have little or no value or utility to the property owner of record as of the date of the appraisal. In this case, the Review Appraiser would then submit written comments to the Project Coordinator explaining the conditions that may exist, so as to aid in the Coordinator's concurrence to suggest the remainder portion of the subject parcel be declared an uneconomic remnant. The Executive Director will then be notified by the

project Coordinator regarding this matter. The Chairman, Executive Director, or Director of Executive Affairs will make the final decision and will notify the Project Coordinator to proceed accordingly.

2. The culmination of the review process is the point when the Review Appraiser, in writing, establishes the actual figure that represents market value. In order to supply adequate documentation, the Review Appraiser is required to include on the Review Form the date on which the appraisal was reviewed. In addition, the date on which site inspections of the property and comparable sales (exterior or interior, as necessary) were made and a complete discussion of his/her reasoning together with any additional documentation required that summarizes the estimate of market value.
3. Upon completion of the review, the pertinent data is entered on the Project Appraisal and appraisal Review Record by the Reviewer. Copies of the appraisals with the Review Form are provided to the Project Coordinator.

F. Excess Acquisition

1. In certain instances, it may be both feasible and equitable to acquire a large portion or the whole property rather than the required portion of the subject property for sewer related needs.

G. Building Sellback Valuation

1. It is the responsibility of the review appraiser to determine a sellback value for all building structures and residential dwellings.
2. On occasion there are instances where a sewer acquisition may render a dwelling damaged, without actually necessitating the demolition or removal of the dwelling. In such instances, the Commission may decide to acquire the dwelling and treat the occupants as displaced persons, and thereby afford all applicable relocation benefits. When this situation occurs, it would not be appropriate to sellback the dwelling to the original owner unless the dwelling itself was to actually be relocated. To sellback an acquired dwelling at a salvage value without the need to actually relocate the dwelling could result in an unintended windfall profit for the original owner. In such cases, there will be no sell back value offered to the original owner and the dwelling will be scheduled for eventual demolition as part of the sewer project.
3. Where sellback values for structures are necessary, the following procedure is to be employed:

- a. The sellback value assigned to a dwelling should be based on past historical values actually bid at public auctions held by this Commission or any other auctions that may have taken place in the open market where the dwelling had to be relocated to another site.

3.7 Re-Review and Updatings

- A. Even after the initial appraisal has been completed, reviewed, and approved, necessity for change may be required by occurrences such as:
 1. An action responsive to recommendations initiated by negotiating personnel.
 2. An error discovered in the plat.
 3. A design change in the plat.
 4. New information on sales, etc., which might affect the appraised value.
 5. A subdivision of a parcel requiring new appraisals, or a change in ownership.
 6. Discovery of newly affected improvements or compensable items.
 7. Correction of a cost-to-cure estimate.
 8. Time delays between the date of valuation, the date of review, and the date of condemnation. While no specific time periods can be established after which an appraisal is no longer valid, it is the responsibility of the Review Appraiser to ensure that the estimate of value is reflective of market value as of the date of condemnation. The Review Appraiser has the authority in establishing the amount of compensation based upon a market value determination and is obligated to consider any reasonable request for consideration of a change. Whenever material is presented with a request for a re-examination of the originally approved appraised value, the Review Appraiser is obligated to fully and objectively examine all of the data presented in consideration of a possible change in the compensation established. In the event a Review Appraiser decides to recommend a change in the market value, a new review form documenting these reasons must be developed to support any revisions.

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