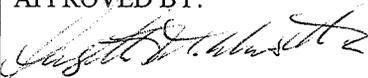


<input checked="" type="checkbox"/>	R/W MANUAL CHANGE	RWMC- 224
<input type="checkbox"/>	PROCEDURAL HANDBOOK (1984 Edition)	RWPH-____-____-____ TRANSMITTAL#____

TITLE: APPRAISALS	APPROVED BY:  SUZETTE M. MUSETTI	DATE ISSUED: DEC 19 2012
SUBJECT AREA: CHAPTER 7 - APPRAISALS		ISSUING UNIT: OFFICE OF APPRAISALS AND LOCAL PROGRAMS
SUMMARY OF CHANGES: Updates the complete section of 7.07.00.00 and clarifies Section 7.07.05.00.		

PURPOSE

This manual change clarifies the valuation of Departmental Fences versus Private Fences to bring Right of Way Manual Section 7.07.05.00 in line with Departmental policy. It also clarifies the purpose of the Departmental right of way fence.

Formatting update was applied and, where applicable, general typographical errors were corrected.

BACKGROUND

It was brought to the attention of Right of Way that Caltrans Maintenance was being called out to repair Departmental right of way fence on restricted access freeway to keep privately owned livestock off State owned property. The purpose of the Departmental right of way fence is only to delineate the right of way and is not built to serve as containment for privately owned livestock. This manual change clarifies the distinction between Departmental Fences and Private Fences on restricted access freeway appraisals.

EFFECTIVE DATE

Immediately.

MANUAL IMPACT

- Remove the superseded pages and insert the attached pages in the Manual.
- Record the action on the Revision Record.

REVISION SUMMARY

<u>Chapter</u>	<u>Remove Old Pages</u>	<u>Insert New/Revised Pages</u>
	Remove the following in its entirety:	Replace with the following in its entirety:
7 - Sections	7.07.00.00 (Rev. 1/98)	7.07.00.00 (REV 12/2012)

7.07.00.00 - IMPROVEMENTS

7.07.01.00 General

Improvements will be appraised at the value they add to the land, assuming the land to be vacant and ready for development to its most probable highest and best use. As such, improvements will be appraised at their depreciated value in place, considering the effect of depreciation from all causes.

Appraisal of improvements at the value they add to the land, if vacant, does not assume that existing improvements are necessarily an improper development of the land. Appraisal by this method will reflect the amount the well-informed buyer would pay for the total property, considering the estimated remaining useful and economic life of the improvements and probable use of the land, if the improvements are removed.

(See the following Right of Way Manual (R/W Manual) Sections 7.07.04.00, 7.07.05.00, and 7.07.06.00 regarding classification of fences, water sources and agricultural improvements, and Exhibit 7-EX-9 regarding improvements.)

7.07.02.00 Single Family Residence and Two to Four Unit Multi-Residence - Form Appraisal

The Uniform Residential Appraisal Report form (URAR) may be used for appraising total acquisitions of either improved single family residential or 2 to 4 unit multi-residential properties. The acquisition may include excess property providing an appropriate allocation of land and improvement values between excess and right of way is made as set forth in R/W Manual Section 7.03.04.00.

The URAR form appraisal may be used only if the land's highest and best use is single family residence and the property is improved with one single family residence or, the land's highest and best use is a 2 to 4 unit multi-residence and the property is improved with one 2 to 4 unit multi-residence. This includes properties improved with mobile homes as realty. See R/W Manual Section 7.12.00.00.

When using the form appraisal, a Parcel Appraisal Page, Form RW 7-9, must still be included in the appraisal report for each parcel appraised, together with any other forms listed in R/W Manual Section 7.02.03.00 that are pertinent to the appraisal.

When appraising a total acquisition of either a single-family residence or a 2 to 4 unit multi-residence, with no excess land to be acquired, an allocation between land and improvement values is not required.

When using the URAR form, the total price shown on the Comparable Data Page (Form RW 7-11) does not need to be allocated between land and improvements. However, a detailed description of the improvements located on the comparable must be shown on the Comparable Data Page.

The URAR forms may be purchased from various business form companies. The smaller region/districts not needing as many of the forms may consider obtaining them from a larger region/district having a greater need for the forms.

There are several books available providing instructions for using the URAR forms for appraising single family residences and 2 to 4 unit multi-residences. Information on the availability of these books can be obtained from HQ R/W Appraisal Branch. The URAR form appraisals may also be completed by use of a computer. There are various companies that sell computer software packages for the URAR form.

7.07.03.00 **Miscellaneous Improvements and Landscaping**

Normal and adequate landscaping and miscellaneous yard improvements (including residential Private Fencing, driveways, and walks) may be briefly listed and valued at their lump-sum contribution to the total value of the property. Normal and adequate porches, stairways, and breezeways need not be separately evaluated if they are considered in the basic building value. Private retaining walls are included in the land value.

Minor curative work, such as the relocation of very minor improvements, can be proposed in an appraisal without including a separate value for purchase. Mailboxes, gate posts, Private Fence end posts, yard lights, capping landscaping irrigation lines, and small signs are examples.

7.07.04.00 **Agricultural Improvements**

Agricultural buildings and farm residences will be valued as Improvements at depreciated value in place.

If agricultural use represents only an interim use, particular care should be taken to consider only the value the improvements add to the land. If conversion of the land to a higher use is anticipated in the near future, agricultural improvements might better be valued under the "Improvement" headings at interim, salvage, or demolition values rather than included with the land. (See R/W Manual Sections 7.07.07.00 and 7.07.08.00.)

7.07.05.00 **Valuation of Fences**

Fences are defined and described in the Highway Design Manual, Chapter 700, Miscellaneous Standards, Topic 701 – Fences; and the Maintenance Manual, Chapter C5, Section 2 - Fences. For purposes of this chapter, fences are divided into two (2) categories: 1) Departmental Fences, and 2) Private Fences.

Departmental Fences are State owned and act as physical barriers to ensure integrity of access lines or right of way lines. All Departmental Fences are placed on State property either on the access lines or immediately adjacent to the right of way line and are maintained by the State. Departmental Fences are not valued as part of the requirement. Cost to install, replace or relocate Departmental Fences will be included in construction costs.

Private Fences are located outside the State's right of way. Private Fences are owned by the adjacent property owners and only serve the property owners' needs. The property owners maintain Private Fences. Private Fences are valued as follows:

A. Private Fencing Included in Land Value

Private Fences on agricultural, grazing, timber, desert, or undeveloped subdivision land, or Private Fence of marginal utility, should be included in the land value unless the comparable data indicates the contrary. Private Fence included in the land value will be briefly described as to type and condition under "Improvements" with a zero value and the remark that the value is included with the land. Specialized Private Fence may still be valued under "Improvements" at the contributory value it adds to the total property.

B. Private Fencing Appraised as an Improvement

Any Private Fence within the requirement not included in land value will be valued as an improvement for the contributory value to the land. The method is to value the improvements at the depreciated value in place. Care should be exercised that double payment is not made for Private Fence owned by two property owners.

C. Damages to the Remainder for Private Fencing

After total Damages are assessed, the State may pay to mitigate those Damages by replacing, adding to, or internally rearranging Private Fences for permanent or temporary construction. The appraiser must be careful not to double pay for Damages. The amount paid as a Damage cannot be more than the difference between 100% cost of a new replacement Private Fence and the amount paid as the improvement (the depreciated value in place). (See Damages Section 7.09.00.00.) Damages may also be mitigated by reinforcing grantor's remaining Private Fence. Private Fences can be replaced or rearranged by construction contract work to mitigate Damages.

7.07.06.00 **Valuation of Water Sources**

Agricultural water sources and pumping and distribution systems will usually be included in the land value, as adjusted, to reflect the productivity of the water supply. The improvements being acquired, such as the pump, are to be fully described as to type, distribution and condition under the "Improvement" heading. Water sources included in the land value will be valued at zero with the remark that the value is included with the land.

Water sources which are replaced or relocated will be valued at zero. If an agricultural water source or system is to be relocated or replaced, the cost of such work will be shown under "Damage" or "Construction Contract Work," and must be justified as mitigating greater severance damages to remainder (see also Damages Section 7.09.00.00).

Nonagricultural water sources will be appraised as an improvement. If water-system equipment is proposed for relocation, the water source will be valued at the relocation cost estimate under "Improvement" subheading of "Relocation in Lieu of Purchase." This relocation cost estimate will include necessary expenses to reestablish a source of equivalent quality and quantity, including well drilling and test holes, if required.

Increased size, capacity, power, etc., necessary due to relocation of a water source must be justified as mitigating greater severance damage to the remainder. Where physical relocation of the water source equipment is not feasible, the equipment will be valued at depreciated value in place under "Improvements." Additional expenses which become necessary to avoid greater severance damage due to loss of the water source must be shown under "Damages."

If relocation or replacement of a water system is proposed to be performed by a State contractor, the water source and equipment will be described under the "Improvement" heading and valued at zero value. The entire relocation or replacement cost will then be shown under "Construction Contract Work."

7.07.07.00 **Improvements - Little or No Value**

Occasionally, improvements add little or no economic value, or may even decrease the value of land suitable for a higher and better use. In these cases, the improvements will be described for Acquisition and Property Management purposes and valued at the amount they contribute to the market value of the property. This would be a positive amount if the improvements have a salvage value; such an amount should be identified as "salvage value." This would be a negative amount if the improvements have no salvage value and a cost would be incurred for their removal. This amount should be identified as "clearance" or "demolition" cost.

7.07.08.00 **Improvements - Interim Value**

Occasionally, improvements may have value due to a brief period of productive income until conversion of the land to a higher and better use. Such value should be identified and supported as interim value. Estimated short term net income, giving consideration to proper risk and expenses, may be an appropriate valuation method.

7.07.09.00 **Improvements - Purchase or Curative Work?**

It may be more economical to relocate, rearrange, or alter improvements such as garages, other auxiliary buildings, storage sheds, on-premise signs, etc. For these cases, the primary appraisal must value the improvement for purchase. The curative work should be included as an alternate appraisal.

Where substantial savings may result if the grantor or the State relocates, rearranges, and/or severs and reconstructs improvements that would otherwise be purchased or damaged, only the curative approach need be included in the appraisal. An alternate providing for purchase may be included at the request of the Acquisition Branch. The alternate appraisal will be processed in accordance with Section 7.03.03.00.

Relocation curative work is normally considered economically feasible if the cost (including utility relocations and other damages) does not exceed the depreciated value of the improvements, less salvage value at State sale. This information will be included in the appraisal to support the feasibility of proposed relocation work.

7.07.10.00 **Improvement Relocations or Replacements Exceeding Depreciated Value Less Salvage**

Occasionally, improvements within the right of way (including excess) may be valued at their relocation or replacement costs rather than at their depreciated value in place to avoid greater severance damages to the remainder. The improvement will be described and valued at the relocation or replacement cost. If the relocation or replacement cost is greater than the depreciated value in place, less salvage, the additional cost must be justified as mitigating greater severance damage to the remainder. This additional cost will be shown under "Damage."

The only exceptions to these rules are relocation or replacement of improvements valued as part of the land or proposed for replacement in kind or utility by a State contractor. In these cases, the total relocation or replacement cost will be shown as a Damage or Construction Contract Work and must be totally justified as mitigation of greater severance damages.

7.07.11.00 **Relocation, Rearrangement, or Reconstruction Estimates**

This work on minor improvements, such as mailboxes, sheds, Private Fencing, gates, cutting and capping utility lines, etc., may be briefly described and valued at lump sum amounts directly on the Appraisal Page. On major improvements, it must be supported by a work estimate included in the appraisal. The estimate may be made by the Appraisal staff based on the Region/District's cost experience and interviews with house movers, contractors, and the Region/District's Project Development, Property Management, and/or Utility Clearance Units.

The estimate will:

- A. Include all necessary expenses involved in the proposed work, including storage, security, overhead, and supervision; but will exclude, or take credit for avoidable betterments.
- B. Contain the source of the cost data. If the estimate involves highway construction contract work, it will be made or verified by the Project Development Unit. Certain estimates should be made or verified by the Region/District Property Management or Utility Clearance Units.
- C. Show the estimated depreciated value in place and salvage value of building improvements proposed for relocation.
- D. Show the Region/District's recommendation whether final bids are required prior to settlement.

Estimates involving relocation of improvements from within the right of way (including excess) will be shown under "Improvements" with the subheading "Relocation in Lieu of Purchase." The only exception to this rule is the relocation, from within the right of way (or excess), of improvements valued with the land or proposed for relocation by a State contractor. In these cases, the improvement will be listed under the "Relocation" subheading with a zero value. The relocation estimate amount will be shown under "Damage" or "Construction Contract Work."

All other rearrangement, replacement, and severance and reconstruction work will be considered as a Damage or as Construction Contract Work.

Severance and reconstruction of improvements straddling the right of way line may involve payment for the portion of the improvement required as well as payment for the curative work.

7.07.12.00 Building Check Sheets

Exhibit 7-8 is for use in assembling the basic information required to describe residential improvements in a uniform, systematic manner with a limited amount of actual writing. The grid on the back is to record improvement measurements, and is for field use. This exhibit without the grid will be inserted in the Report. If the URAR form is used, Exhibit 7-8 is not necessary.

Types of improvements not listed on the exhibit will be described in detail in the appraisal. This description will include the use, age, construction, condition, specialized features, if any, and any other factors which may be important in valuing the improvement.

7.07.13.00 Service Station, Commercial and Industrial Buildings

When appraising these, Exhibit 7-9 should be used to assemble the basic data.

The exhibit, without the grid, will be included in the Report.

7.07.14.00 Tenant or Lessee-Owned Improvements (Excluding Personal Property)

The appraisal will contain a specific list of tenant or lessee-owned improvements (realty) which include buildings, structures, other improvements and improvements pertaining to the realty. The appraiser will separately show the value of the improvements on the Appraisal Page according to their ownership, such as:

Lessor Owned (List improvements)	\$100,000
Tenant or Lessee Owned (List improvements)	<u>25,000</u>
Total Value of Improvements	<u>\$125,000</u>

Tenant or lessee-owned improvements will be appraised at the amount they contribute to the fair-market value of the real property to be acquired or their fair-market value for removal from the real property, whichever is greater [ref. 49 CFR 24.102(e)(3) and 24.105(c)].

Fair-market value for removal means "salvage value." It is the probable sales price of an item, if offered for sale on the condition that it will be removed from the property at the buyer's expense, allowing a reasonable period of time to find a person buying with knowledge of uses and purposes for which it is adaptable and capable of being used, including separate use of serviceable components and scrap when there is no reasonable prospect of sale except on that basis.

The Appraisal Report will show both the contributory and salvage value of such improvements. The greater value will be carried forward to the Appraisal and Summary Pages.

If the salvage value is greater than the contributory value, the existing improvements may not constitute the highest and best use of the property. Where the tenant-owned real property improvements do not contribute any value to the property, the tenant is still entitled to any salvage value of such improvements.

In some situations, it is possible for both the contributory value and the salvage value of lessee-owned improvements to equal zero. In these cases, the improvements should be shown at “nominal” in the Report.

Structural improvements are normally classified as real property and not personal property. If there is any doubt whether a tenant or lessee-owned improvement is part of the real estate or personal property, the Division should be consulted and/or a legal opinion obtained.

In some cases, there may be controversy between lessors and lessees regarding ownership of the improvements (real property). Then, the appraiser will make a statement in the Report regarding the controversy of ownership to alert the Acquisition and RAP Branches of the problem.

The appraiser should separately show three categories, such as:

Lessor Owned (List improvements)	\$100,000
Lessee Owned (List improvements)	15,000
Ownership Claimed by Both Lessor and Lessee	<u>10,000</u>
Total Value of Improvements	<u>\$125,000</u>

7.07.15.00 **Retention Value**

A separate retention value may be included in a Report when the owner wants to retain the structural improvements. This is in addition to either the full or part-take appraisal that proposes the purchase of the improvements, as applicable, and any “Relocation in Lieu of Purchase” alternate that may be appropriate. Retention value in this instance is the same as salvage value. It should normally be established through a comparative analysis of improvements sold at public sale.

It is not intended to allow “piecemeal” retention of portions of structural improvements which, if removed, would leave the structure in an unrentable condition. Also, this concept does not apply to improvements pertaining to the realty, such as machinery and equipment, as defined in the California Eminent Domain Law (Title 7, Chapter 9, Article 3, Section 1263.205 of the Code of Civil Procedure). These items are available to owners by other means.

Owner retention of improvements for salvage value is at the Department’s option and is not a right of the owner. Accordingly, it should not be proposed in situations that have the potential of producing an indefensible windfall to the owner.

Retention value estimates will be provided on written request from the Acquisition Branch if they were not a part of the original appraisal. These requests will be processed like any other revised page(s) to the original appraisal.

The above instructions do not apply to those miscellaneous minor improvement items which grantors often wish to retain, e.g., drapes, antennas, etc. If a separate valuation of such items is requested, they will be listed with their contributory values.