It is the responsibility of the acquiring agency to review all appraisal and specialty reports of real property to be acquired in connection with Federal-aid programs or projects and to establish an amount which it believes to be just compensation for such acquisition before the initiation of negotiations.

The Federal regulation, **49 CFR 24.104** requires that:

(a) A qualified review appraiser (see 49 CFR 24.103(d)(1) and appendix A, 24.104) shall examine the presentation and analysis of market information in all appraisals to assure that they meet the definition of appraisal found in 49 CFR 24.2(a)(3), appraisal requirements found in 49 CFR 24.103 and other applicable requirements.

(b) If the review appraiser is unable to recommend (or approve) an appraisal as an adequate basis for the establishment of the offer of just compensation, and it is determined by the acquiring agency that it is not practical to obtain an additional appraisal, the review appraiser may, as part of the review, present and analyze market information in conformance with 49 CFR 24.103 to support a recommended (or approved) value.

The purpose is to ensure that a qualified review appraiser determines the estimate of fair market value (FMV) is reasonably supported by an acceptable appraisal. Waiver valuations are not appraisals and therefore are not subject to the review requirement. The review appraiser plays an important role in the acquisition process and is charged with a great deal of valuation and administrative responsibility.

Before acceptance of an appraisal, the review appraiser will determine that the appraiser's documentation, including valuation data, demonstrates the soundness of the appraiser's opinion of value. The level of explanation for the reviewer's recommended or approved value depends on the complexity of the appraisal problem.
The review appraiser's certification and the recommended or approved value of the property should be set forth in a signed written statement which identifies the appraisal report(s) reviewed and contains whatever explanation is necessary to support the recommended value. In the case of a partial taking, damages or benefits, if any, to the remaining property shall also be identified in the review appraiser's statement.

An appraisal review is a technical review of an appraisal by an experienced, competent, qualified review appraiser. Appraisal review is a critical quality control element in the valuation/acquisition process. In some agencies, the review appraiser acts for the agency in estimating the just compensation to be offered for the acquisition. An appraisal review is not only an arithmetic or grammatical review of an appraisal report. It is a comprehensive technical examination of the appraisal, as reported by the appraiser.

8.1. REVIEW CONSIDERATIONS

The review appraiser has many responsibilities in the evaluation of an appraisal report. The first involves reviewer objectivity. An appraisal is an estimate of value based on certain valuation related information and conclusions. It is the reviewer's responsibility to determine if a report (or reports) contains factual information, proper documentation and appropriately supported conclusions. The reviewer will assure that the report conforms to applicable laws and regulations.

The review appraiser should field inspect the appraised property and the comparable sales included in the report. If a field inspection cannot be made, the review appraiser should document the files explaining why such an inspection was not made.

The reviewer should examine the appraisal report to determine the following:

a. That it has been completed in accordance with the state Department of Transportation (DOT) appraisal specifications in the procedural manual or the contract scope of work in the case of contract or fee appraisers.

b. That it follows accepted appraisal principles and techniques in the valuation of real property in accordance with state law as set out in chapter 7.

c. That it contains or makes reference to the information necessary to explain, substantiate, and thereby document the conclusions and estimate of FMV.

d. That it includes consideration of compensable items, damages, and benefits, if any, and does not include compensation for items that are noncompensable under state law.

e. That it contains identification, including ownership, of the buildings, structures, and improvements on the land, the fixtures which were considered as part of the real property, and items identified as personal property.

f. That it contains an estimate of FMV for the acquisition, and as appropriate in the case of a partial
acquisition, an allocation of the estimate of FMV for the real property and for damages to the remaining property.

Prior to approving or recommending approval of an estimate of just compensation, the review appraiser should request and obtain from the appraiser any needed corrections or revisions to a deficient appraisal report. The appraisal(s) are to satisfy the acquiring agency's appraisal report specifications. Any corrections and/or revisions should be documented and retained in the parcel file. The review appraiser may make minor corrections, such as mathematical ones, and note and initial his/her action. Likewise, the review appraiser may make comments and provide additional supporting data as necessary, while initialing them.

The review appraiser should not substitute his/her judgment for that of the appraiser, but where the review appraiser finds analytical and/or factual deficiencies in the appraisal report, remedial action should occur. The review appraiser should first ask the appraiser to consider making the required corrections in the appraisal report. Any needed factual data or analytical changes that cannot be handled this way require that the review appraiser, in the review report, in effect become the appraiser and assume the burden of substantiating and documenting the valuation in accordance with recognized appraisal standards such as set out in chapter 7. The appraisal report itself should not be changed by the review appraiser.

Upon completion of the review, the review appraiser should place in the parcel file a signed and dated statement setting forth:

a. The estimate of just compensation including, when applicable, an allocation of compensation for the real property acquired and for damages to the remaining real property, and an identification or listing of the buildings, structures and other improvements on the land as well as the fixtures which are considered to be a part of the real property to be acquired, if such allocation or listing differs from that in the appraisal(s).

b. That as a part of the appraisal review, there was or was not a field inspection of the parcel to be acquired and the comparable sales. If a field inspection was not made, the reason(s) should be recited.

c. That the review appraiser has no direct or indirect present or contemplated future personal interest in the property or in any monetary benefit from its acquisition.

d. The estimate of just compensation has been reached independently, without collaboration or direction, and is based on appraisals and other factual data.

e. If appropriate, a value estimate of items compensable under state law but not eligible for Federal reimbursement.

f. Which appraisal is recommended as the basis for establishing the estimate of just compensation; which are accepted or not accepted.

8.2. REVIEW APPRAISER QUALIFICATIONS

A review appraiser is a thoroughly qualified appraiser who is completely familiar with the type of
Appraiser will be completely familiar with the agency's appraisal and other relevant requirements. It is very difficult for an individual who does not meet both of these qualifications to provide an appropriately thorough appraisal review for an acquiring agency.

Since reviewers have the responsibility for not just approving appraisal reports prepared by other appraisers but also for obtaining corrections and/or revisions to those reports when necessary, it is important that reviewers be tactful and effective in their contacts with the appraiser(s). The review appraiser performs a management function by assuring that agency appraisal related requirements have been satisfied. To represent management needs in the appraisal process, the review appraiser is considered part of the management team in project or acquisition development.

8.3. APPRAISAL REVIEW TECHNIQUES

Appraisal review is a critical function that bridges pure, technical appraisal and agency policy and requirements. The review appraiser should be well schooled and experienced in appraisal technology. Just as important are the knowledge, background, and understanding of the agency's requirements. The review report, especially if the review appraiser is charged with estimating just compensation, must reflect both technical appraisal evaluation and agency requirements. The appraisal review function is important due to its appraisal management responsibilities. The review appraiser will assure that each appraisal is independently acceptable, and that there is consistency (in land values, for instance) throughout the project.

The reviewer must identify the appraisals as recommended, accepted, or not accepted. The review appraiser should reconcile two (or more) acceptable, but divergent, appraisals of the same property. The review appraiser may develop a figure based on, but not necessarily identical to, one of the approved appraisals. Or the review appraiser's estimate can be based on the best parts of two or more appraisals. The exact function or "powers" of a review appraiser in determining an approved figure are not defined in Federal regulations, or in appraisal custom. It is an area where the acquiring agency must establish operating policy and procedures.

As discussed above, the review appraiser may make minor corrections and comments in an appraisal report, but not change any data or analysis. The proper way to handle an unacceptable appraisal is first request the appraiser update the appraisal and if that cannot be done, the review appraiser should, if it is not possible to get another appraisal, take corrective action in the appraisal review report. When this is necessary, the review appraiser may draw from any sources available, including other appraisals of the property. If necessary, the reviewer may independently develop market data and/or provide an independent analysis. For this independent work, the review appraiser will adhere to all the applicable appraisal standards that are required of the appraiser.