INTRODUCTION

The City of Inglewood (City) may purchase, lease, and dispose of interests in real property for the purpose of construction and operation of the Inglewood Transit Corridor Project.

All appraisals for acquisition of real property will be prepared and reviewed in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as amended (the Uniform Act); the Uniform Standards of Professional Appraisal Practice (USPAP); FTA Circular 5010.1E (revised July 16, 2018); Public Law 105-117, Section 41135 of the California Health and Safety Code, Section 7260 et. seq.; and California Code of Civil Procedures Section 1263.320, California Eminent Domain Law, Section 1230 et. seq. Part 3, Title 7 of the California Code of Civil Procedures and other applicable federal, state, local laws and regulations.

An appraisal will be obtained to determine the fair market value of the real property interest to be acquired and to serve as the basis of just compensation that will be offered to the property owner. A separate appraisal will be obtained to determine the fair market value of the furniture, fixture, and equipment (FF&E) to be acquired and just compensation will be offered to the FF&E owner(s). All appraisal reports must contain sufficient documentation, including valuation data, and the appraiser's analysis of that data, to support his or her opinion of value as of a specified date.

The City will be guided by the following appraisal policies:

POLICY

1. An offer of just compensation must be established on the basis of recent independently prepared appraisal documents that estimate the fair market value before the initiation of negotiations with an owner.

2. All Appraisers (including real estate appraisers and review appraisers) must be certified or licensed with a State Appraisal Board. Appraisals and review appraisals must be completed by appraisers experienced with state and federal laws for valuing properties for public acquisitions under the threat of eminent domain.

3. Appraisals will be fully compliant with all of the appraisal requirements as cited in 49 CFR Section 24.103(a). This includes compliance with the Scope of Work defining the appraisal requirements and, as appropriate, a realty/personality report. The appraiser will also address the requirements of 49 CFR Section 24.103(b) and (c) in the report concerning the effects of influence of the Award and owner retention of improvements.
4. If the acquisition leaves the owner with an uneconomic remnant, the appraiser or review appraiser may be assigned the responsibility to make this determination and appraise the fair market value of the remnant.

5. The Owner shall be advised that they have the right to accompany the appraiser during the inspection of the property.

6. When valuing properties that contain contamination or hazardous material, the appraiser must consider the effect, if any, the contaminations or material’s presence has on the market value. All environmental site assessments (ESA) research results will be provided to the appraiser prior to completion of the valuation process so that they can be considered by the appraiser prior to completion of the report.

7. Appraisals over six months in an active real estate market may be updated before fair market value is determined and submitted to the FTA regional or local office for review and concurrence when required.

8. In the case of a donation, an appraisal may not be required; however, an appraisal will be required if the property is to be used as an in-kind contribution as part of the non-federal share.

9. An appraisal will not be required when the valuation is uncomplicated, and the fair market value is estimated at $10,000 or less, based on a review of available data, using the waiver valuation provision. The $10,000 includes severance damage (if any) but excludes any non-significant construction work.

10. If the amount of all property rights or interest is $1,000 or less, the value of the required property shall be shown as "Nominal". However, calculations shall be shown in the valuation report to illustrate the basis for the $0.00 to $1,000 conclusion. Appraisals of parcels with nominal or low value will ordinarily require only a brief valuation analysis. Market data used to establish the nominal valuation can be described in the memorandum without including Comparable Data and Comparable Data Maps.

11. All appraisals for acquisition of real property will be reviewed in accordance with the Uniform Act to determine the soundness of the report’s value estimate. The review appraisal report is expected to determine whether the value conclusion is consistent with state laws pertaining to what is compensable in eminent domain for public acquisition. The review appraiser is also responsible for assuring that value estimates are consistent when multiple parcels of property are needed for the Project. The review appraiser must be familiar with the subject property, the comparable sales used, and other market factors required to produce a technical analysis of the appraisal. Under no circumstances will the establishment of the just compensation amount be delegated to a contractor (i.e., a fee review appraiser) who is not a government official of the City.

12. A written notification will be sent to the property owner regarding the City’s decision
to appraise the property. The written notice will include the following:

a) The specific area being considered for a particular public use.

b) The owner's property is located within the project area.

c) Description of the owner's property (all or a portion) that may be acquired for public use.

d) Provide the property owner (or representative) the opportunity to accompany the appraiser during the property inspection.

e) Enclose the following documents with the written notification to the property owner: (1) City's Acquisition Brochure, and (2) Title VI, Civil Rights Brochure.

13. The amount of just compensation for the property to be acquired will be established before the initiation of negotiations with the owner. The amount established shall not be less than the approved appraisal of the fair market value of the property, taking into account the value of allowable damages or benefits to any remaining property.

2.1 APPRAISAL STANDARDS

Appraisal reports shall conform to federal, state, and City standards. Each appraisal report shall reflect nationally recognized appraisal standards, including to the extent appropriate, State laws and regulations, the Uniform Appraisal Standards for Federal and Acquisition, the requirements of the Uniform Relocation Assistance and Real Property Acquisitions Policies Act, and the Uniform Standards of Professional Appraisal Practice. These appraisal standards shall apply to all appraisals required by the City regardless of the source of funds to be used for acquisition of property.

2.2 APPRAISAL REPORTS

An appraiser shall be required to submit an appraisal report that contains their opinion of value. The report will be fully documented with all pertinent factual data relied upon by the appraiser to arrive at the opinion of value. The City shall furnish the appraiser with information regarding ownership, encumbrances, the rights to be acquired, and the project requirements for the property. When required, legal counsel will provide legal interpretation of applicable state law regarding damages and benefits.

In addition to the appraisal, the appraiser will be requested to prepare an “Appraisal Summary” in a format that will be attached to the offer of just compensation made to the property owner.

At a minimum, a detailed appraisal report shall contain the following items:

1. The purpose and/or function of the appraisal, a definition of the estate being appraised, and a statement of the assumption and limiting conditions affecting the appraisal.
2. Identify the intended use and user of the appraisal report.

3. An adequate description of the physical characteristics of the property being appraised (and in the case of a partial acquisition, an adequate description of the remaining property), and a statement of the known and observed encumbrances, if any, title information, location, zoning, present use, and analysis of highest and best use.

4. A five-year sales history of the property, which analyzes and reports all pending and recent agreements, options, listings, and sale of the subject property for all property types.

5. All relevant and reliable approaches to value consistent with commonly accepted professional appraisal practices. When more than one approach is utilized, the appraiser shall provide analyses and reconciliation of approaches to value that are sufficient to support the appraiser's opinion of value.

6. Use one or more of the three methods of analysis: (1) Direct Sales Comparison Approach, (2) Income Approach, and/ or (3) Cost Approach.

   a) When the direct sales comparison approach is used, the appraisal report shall contain a direct comparison of pertinent comparable sales to the property being appraised. The appraiser will include a statement setting forth the analysis and reasoning for each item of adjustment to comparable sales.

   b) Where the income approach (capitalization) approach is used, there will be documentation to support the income, expenses, interest rate, remaining economic life, and capitalization rate. Where it is determined that the economic rental income is different from the existing or contract income, the increase or decrease will be explained and analyzed for effect on the property's overall value.

   c) Where the cost approach is used, the appraisal report will contain the specific source of cost data and an explanation of each type of accrued depreciation.

7. A description of market data, including a description of all relevant physical, legal and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.

8. An estimate of the market value of the real property to be acquired and, for a partial acquisition, a statement of the value of damages and benefits, if any to the remaining real property, where appropriate.

9. The effective date of valuation, date of appraisal, signature, and certification of the appraiser.

10. Each appraiser will be required to include a signed certification in the appraisal that certifies that

    a) The property was personally inspected and the owner was invited to
accompany the appraiser when the property is inspected. The invitation should contain a section requesting any and all information that is relevant to the appraisal process such as copies of existing lease(s), income and expense information, building plans, etc.

b) The comparable sales relied on in preparing the appraisal, were as presented by photos contained in the appraisal.

c) The appraisal was made in conformity with applicable laws, regulations, policies, and procedures.

11. Any decrease or increase in the fair market value of real property prior to the date of valuation caused by the City transit project for which the property is to be acquired, or by the likelihood that the property would be acquired for the project, other than that due to physical deterioration within the reasonable control of the owner was disregarded in determining the compensation for the property.

12. Neither the employment nor compensation for making the appraisal was contingent upon the value reported for the property.

13. That the appraiser has no direct or indirect, present or contemplated future personal interest in the property or any benefits from the acquisition of the property appraised.

An appraisal report must include at least the following:

1. Parcel Summary Page
2. Field Review Certification
3. Certificate of Appraiser
4. Photograph(s) of subject property
5. Index Map
6. Appraisal Map
7. Comparable Data pages with photographs
8. Comparable Data Map

2.3 APPRAISER QUALIFICATIONS

The City will contract with independent appraisers that are included on an approved Real Estate Consultant team or independently pre-qualified and approved by City Council. Each Real Estate Consultant included appraisers with expertise in the area of real estate valuations, fixtures and equipment valuations, goodwill valuations, and appraisal review.

Independent appraisal must have a general "Real Estate Appraiser Certificate" issued in accordance with Title XI of the Financial Institution Reform, Recovery and Enforcement Act of 1989 and the State of California Real Estate Appraiser Regulations Title 10, Division 6.5. In addition to the minimum education and experience required for
certification, fee appraisers must have verified appraisal experience in the type of property they are employed to appraise.

2.4 APPRAISAL FEES

The fee paid to an appraiser shall represent a fair compensation for the services performed considering:

1. The complexity of the appraisal or other work to be undertaken and the skills necessary to provide such services.
2. The number of parcels included in the assignment.
3. The amount of information and data provided to fee appraisers by the City, and the extent of the information that must be developed independently; and
4. The time allotted for completion of the assignment.

2.5 NUMBER OF APPRAISALS

Generally, the City will require one real property appraisal and a review analysis by an independent review appraiser. Two real property appraisal reports will be obtained for unusually complicated parcels or if the parcel value is estimated to exceed $1,000,000 in value including improvements pertaining to realty and severance damages. Dual appraisals shall be separate and fully independent in calculations, analysis, and conclusions. One appraisal will be obtained for FF&E and goodwill appraisals.

2.6 FTA APPROVAL

Parcels acquired with the use of federal funds require prior approval of the Federal Transit Administration (FTA) when the estimate of just compensation of the property exceeds $1,000,000 unless a written waiver for a higher amount is granted by the FTA for a specific project.

2.7 INFLUENCE OF THE PROJECT

Any decrease or increase in the fair market value of real property prior to the date of value caused by the announcement of a City project, other than that due to physical deterioration within the reasonable control of the owner, will be disregarded in determining the just compensation for the property.

2.8 OWNER RETENTION OF IMPROVEMENTS

If the owner of real property is permitted to retain improvements for removal from the project site, the amount to be offered for that interest in the real property shall be the difference between the amount determined to be the just compensation for the owner's entire interest in the real property and the salvage value of the retained improvement. No payment for moving and/or reinstallation expenses shall be paid by the City under the relocation assistance program when the owner is permitted to retain an improvement.
and receives compensation for the improvement.

2.9 SPECIALTY REPORTS

When machinery, equipment, or other specialty items are so attached to real property so as to become real property, a specialty appraisal will be obtained to determine the contributory value to the whole property. A legal opinion will be provided, when necessary, to the appraiser that outlines which items constitute realty and which are specialty (fixtures). One appraisal for specialty items will be obtained unless it is the opinion of the reviewing appraiser that a second appraisal is necessary.

A special equipment appraiser will be employed to prepare the appraisal. The special report will be reviewed by a review appraiser to assure that the report conforms to acceptable appraisal standards.

NOTE: Business Valuation/Loss of Goodwill Appraisal Reports also are included in this category.

2.10 REVIEW OF APPRAISALS

All appraisal reports shall be reviewed by a qualified review appraiser. The review appraiser will ensure that the appraisals meet all applicable federal, state, and City regulations and appraisal standards. Prior to acceptance of an appraisal report, the review appraiser shall seek necessary corrections or revisions to the report. The appraisal fee shall not be paid until the report has been accepted by the review appraiser. Specifically, the review appraiser will:

1. Become familiar with the parcel being appraised and the comparable sales considered by the appraiser.
2. Check all mathematical computations made by the appraiser.
3. Review weight given different approaches to value used in arriving at the final conclusion of value.
4. Determine if accepted appraisal principles, techniques, and standards were followed in arriving at property value in accordance with California law and applicable regulations.
5. Ensure that the appraiser did not overlook any feature that would materially affect the property value.
6. When dual appraisals are obtained for the same property, the Review Appraiser will make a recommendation as to which appraisal report is more reflective and supportive of the fair market value. The recommended appraisal report will be used as the basis for the recommended just compensation.

If the review appraiser is unable to approve or recommend approval of an appraisal, as an adequate basis for the establishment of the offer of just compensation and it is not practical to obtain an additional appraisal, the review appraiser may develop appraisal documentation to support an approved or recommended value. The review appraiser's recommended just compensation or approved value of the property shall be set forth on a signed statement including the basis for such a recommendation or approval.
2.11 PRELIMINARY ESTIMATES OF VALUE

A preliminary estimate of value for budgetary purposes may be provided for a proposed transit project upon request from the construction, operations or administrative unit. Preliminary budget estimates are not sufficient for the determination of just compensation. Preliminary estimates may be initiated without contacting or notifying the property owner.

2.12 SEPARATION OF APPRAISAL AND ACQUISITION FUNCTIONS

An appraiser involved in the preparation of an appraisal for the determination of just compensation shall not negotiate for the purchase of the property.

2.13 APPRAISAL SCHEDULES

The ROW Team shall develop plans, procedures, and strategies to meet appraisal report requirements and the time frame necessary to comply with the acquisition guidelines and project schedules.

3.0 DEFINITION OF TERMS

**Appraisal** - A written statement independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property as of specific date, supported by presentation and analysis of relevant market information. (49 CFR Part 24.2(b))

**Appraisal Assignment** - One (1) or more parcels included under a single appraisal contract given to the same appraiser.

**Certification Plat** - A parcel plat or map prepared by the design engineers that outlines the limits of the required taking of real property for an approved project.

**Eminent Domain** - The right of government to take private property for public use upon payment of just compensation.

**Fair Market Value** - The term fair market value can have various definitions, depending upon the appraisal requirements for the property. For eminent domain under the laws of the State of California the definition of fair market value is the highest price on the date of valuation, as cited in the California Code of Civil Procedures, 1263.320. The definition of market value under the Uniform Standards of Professional Appraisal Practice is the most probable price, as cited under Standard 1-2 (b). The definition of fair market value must be set forth clearly in the appraisal report.

**Fee Appraiser** - Independent appraisers who are retained by the agency to provide fee appraisal reports.

**Just Compensation** - In condemnation, the amount of loss for which a property
owner is compensated when his or her property is taken; generally held to be market value (Dictionary of Real Estate Appraisal - State edition).

4.0 RESPONSIBILITIES

ROW Director: shall direct the overall project acquisition process including appraisal and relocation and assure that real property is acquired in accordance with federal, state, local, and City regulations.

ROW Manager: shall be responsible for the day-to-day implementation and management of the real estate program and other real estate consultants.

Assistant ROW Manager: will assist the ROW Manager with day-to-day implementation, and management coordination of the other real estate services consultants and their work assignments. Coordinates the solicitation, contract management, and review of appraisal reports prepared by appraisal consultants.

ROW Coordinator: will provide administrative support relating to consultant coordination, document management, and financial processing.

ROW Advisor: responsible for guiding the real estate program’s structure on an as-needed basis.

ROW Team: is responsible for the timely appraisal, acquisition, and relocation of right of way required for the Inglewood Transit Connector Project including fee acquisitions, easements, and other ownership interests. The Section coordinates and serves as a liaison between the City and attorneys retained to represent the City in condemnation cases. This Section specifically ensures that federal, state, and local statutory requirements for acquisition are complied with; represent the City in making offers for property acquisitions and negotiates terms of such acquisitions; maintains accurate records; prepares periodic special reports, or correspondence regarding acquisition activities, and provides advice to Management with respect to acquisition functions and activities.

ROW Legal Counsel: shall serve as a further supporting member of the ROW Team for legal advisory services relating to acquisitions and eminent domain matters.

Real Estate Services Consultants: To assure timely completion of assignments without negative impact to the acquisition schedule, consultant contracts for various disciplines will be grouped into five categories including (1) appraisals and appraisal review, (2) acquisition services, (3) relocation services, (4) environmental investigation and assessment services, and (5) title and escrow services.

Appraisal Consultants: The Appraisal Consultant recommends valuations, including, but not limited to: market value/fair market value of real estate, fixtures and equipment, and loss of business goodwill; provides cost estimating valuations for proposed projects;

Condemnation Appraisers: The selection of appraisers and preparation of appraisal reports for condemnation litigation purposes is coordinated by the ROW Legal Counsel in consultation with the ROW Team.
5.0 REFERENCES

Code of Civil Procedure Section 1263.310
Code of Civil Procedure Section 1263.320
Uniform Appraisal Standards for Federal Land Acquisition
Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970 as amended
Uniform Standards of Professional Appraisal Practice.
State of California, Department of Transportation Right-of-Way Manual