

INDUSTRY ANNOUNCEMENT

To: All Right-of-Way Acquisition Project Sponsors

Date: February 16, 2010

Subject: ODOT REAL ESTATE POLICY CHANGE

On Friday, February 5, 2010, the Ohio Department of Transportation (ODOT) issued a policy directive that immediately impacts the appraisal and appraisal review processes for virtually all right-of-way acquisition projects involving State or Federal funding for planning, design, acquisition, or construction.

WHAT CHANGED

Prior to this policy change, ODOT recognized the Value Analysis appraisal type as an administrative tool for the simplistic valuation of right-of-way to be acquired. This valuation tool was specifically designed for use when the overall impact of a taking on a property was considered minor, with no concern for damages to the overall remaining property. Furthermore, Value Analysis reports could only be used when the anticipated compensation was less than \$5,000 in total fair market value, including consideration for raw land, site improvements, landscaping, etc.

Value Analysis reports have been widely used throughout the State for the majority of property takings, and have historically and most commonly been completed by state-licensed or state-certified appraisers. These state-certified appraisers must comply with a set of standards commonly referred to as USPAP (*Uniform Standards of Professional Appraisal Practice*). Effective January 1, 2010, these regulations were changed in a manner that created conflict between the reporting requirements demanded by USPAP and the simplistic valuation format provided within the Value Analysis report. **As a result, state-licensed and state-certified appraisers are now forbidden from preparing or reviewing Value Analysis reports.**

THE IMPACTS & SOLUTIONS

In response to the USPAP policy change, ODOT has provided the following options to project sponsors in their 2/5/2010 directive:

- Any report previously scoped as a Value Analysis report may be modified and completed as a Value Finding report. The latter format is the 'next level up' from Value Analysis reports, and is applicable when total compensation is up to \$35,000. Value Finding reports may be completed and reviewed by the existing state-licensed/certified appraisers and review appraisers.
- An alternative option allows project sponsors to complete a Value Analysis report as scoped through use of ODOT-prequalified professionals who are NOT licensed or certified for appraisal or appraisal review services and therefore are not bound by USPAP regulations. In other words, individuals who have demonstrated knowledge of

the appraisal process and experience in the valuation of real estate, as regulated by ODOT's existing prequalification requirements, may continue to prepare the Value Analysis report type.

While the first option addresses the licensure concerns of the appraiser, it also dramatically impacts the cost of service for acquiring right-of-way, as well as the project schedule. Currently, prevailing appraisal and appraisal review fees within our industry for Value Analysis report types range from \$500-\$700 for appraisal, and \$250-\$300 for review, per parcel. The prevailing fees for the Value Finding report type range from \$1,000-\$1,500 for appraisal and \$500-\$700 for review, per parcel. Changing the format of the report can therefore create an added cost to the project of nearly \$1,000 per impacted property. While this solution is technically and legally viable for the appraiser, the impact to project sponsors is significant.

The second option gives project sponsors the opportunity to complete reports according to original scopes and budgets, which is why M•E would like to offer help:

- M•E is fortunate to have four members of our staff who are ODOT-prequalified to complete Value Analysis reports and are not licensed appraisers. They are located throughout the State and have an average of approximately 20 years of acquisition experience.
- Our intimate understanding of right-of-way regulations, including these policy changes and how they may impact our clients' existing and ongoing projects, enable us to ensure our clients' projects remain on schedule and budget through use of the most financially prudent report option.
- Our staff can efficiently coordinate appraisal efforts and quickly move through the completion of required Value Analysis reports, including operating as a subconsultant to any existing contract holders. Additionally, our staff remains available as needed to provide any review services required to avoid the legal concerns of using a contracted state-certified review appraiser.

If you are currently engaged in a project where the issues created by the policy changes remain unresolved, please know that our team is intimately familiar with the current transition and will be prepared to assist you.

As always, if you have any concerns or questions regarding the impact of these policy changes or M•E's potential role in assisting you with your project goals, please feel free to contact Mr. Chris Howard, Senior Vice President, Real Estate Services, at 614-818-4900.