





**PRELIMINARY RIGHT-OF-WAY ACTIVITIES**

- PURPOSE:** This section describes and establishes procedures relating to preliminary right-of-way cost estimating and the review of environmental impact statements.
- POLICY:** It is the policy of the Right-of-Way (ROW) Branch to prepare preliminary right-of-way cost estimates and to review environmental impact statements at the corridor and design stages of a project development. The cost estimates are required for budgetary reasons. They are for internal use only and are not considered appraisals of the potential properties to be acquired.
- RESPONSIBILITY:** The Appraisal Section (HWY-RP) has the responsibility to estimate preliminary right-of-way costs of lands and improvements including severance damages, if anticipated, appraisal fees, costs to be expended by State forces, under jurisdiction of the ROW Branch for a particular project and to compile such data with the estimated relocation assistance costs, if any, as determined by the Property Management Section (HWY-RM) of the ROW Branch for submittal to the requesting Branch.
- A Supervisory ROW Agent V, who is selected by the Appraisal Section Head as an interdisciplinary group member for a particular project, is responsible for reviewing, evaluating and providing input into the environmental impact statement for such project.
- SCOPE:** The provisions of this section extend to HWY-RP.
- PROCEDURE:** All requests for right-of-way cost estimates and review of environmental impact statements are processed through the ROW Manager for assignment to an appropriate Section Head for action.

**RIGHT-OF-WAY COST ESTIMATING:**

The Appraisal Section Head, after receiving a cost estimate assignment from the ROW Manager, selects a Supervisory ROW Agent V in the HWY-RP Section to complete the assignment. Depending on the complexity of the assignment, the Supervisory ROW Agent V may in turn assign the work or portions thereof to a subordinate under his supervision. All requests and accompanying materials are carefully examined by the member assigned to perform the work so that discrepancies or questionable areas, if any, may be clarified with the requesting Branch before work plans and obtains the necessary data to complete the assignment.

All data gathered are analyzed and the costs of lands and improvements including severance damages, if any, legal cost estimates, appraisal fees and State forces costs are compiled along with the estimated relocation costs, as determined by HWY-RM, on a form entitled "Request for Right-of-Way Cost Data," DOT 4-149. The completed form with right-of-way cost data, if found acceptable by the Appraisal Section Head, approved by the ROW Manager, is then submitted to the requesting Branch.

**REVIEWING OF ENVIRONMENTAL IMPACT STATEMENT:**

The Appraisal Section Head, upon receipt from the ROW Manager of an assignment to review an Environmental Impact Statement report of a highway project, assigns the work to a Supervisory ROW Agent V within the section selected as an interdisciplinary group member for the project.

The Supervising ROW Agent V reviews the environmental impact statement to provide input and/or comments as to the technical quality of social, economic and environmental evaluation at the corridor location and design stages of the project development.

Any comments regarding the environmental impact statement are submitted in a memorandum format, which, if acceptable to the Appraisal Section Head, and approved by the ROW Manager, is then submitted to the requesting Branch.

**QUALIFICATIONS OF STAFF APPRAISERS**

**PURPOSE:** This section describes the minimum qualifications required of staff Appraisers.

**POLICY:** Use qualified staff Appraisers whenever possible or feasible for the appraisal of real property rights required for Federal-Aid and State funded highway projects.

**RESPONSIBILITY:** It is the responsibility of the Appraisal Section Head, to select a qualified member of the Section for use as a Staff Appraiser and/or a Review Appraiser when appropriate to establish fair market values for highway projects.

**SCOPE:** The provisions of this section extend to the Appraisal Section (HWY-RP) of the Right-of-Way Branch (HWY-R).

**PROCEDURE:** The education and experience qualifications required for employment of staff appraisers are contained in the specifications for the classes, Right-of-Way Agent I, II, III, IV, V and VI, as determined by the State's Department of Human Resources Development and qualifications retained in the office file of the Right-of-Way (ROW) Branch. Qualifications for staff appraisers shall follow applicable State and Federal laws, and laws and procedures of the Department of Commerce and Consumer Affairs (HRS 466K).

A continual evaluation of the performance of Staff Appraisers is accomplished in the employee performance appraisal HDR 326(7/01) prepared by supervisors.

**STAFF APPRAISALS**

- PURPOSE:** This section describes procedures relating to appraisals by Staff Appraisers.
- POLICY:** It is the policy of the Right-of-Way Branch (HWY-R) to use qualified Staff Appraisers whenever possible or feasible. Staff Appraisers may be consulted to assist with appraisal of properties needed for long-term lease, e.g., air space or air rights.
- RESPONSIBILITY:** All appraisal functions are under the general supervision of the Appraisal Section Head.
- SCOPE:** The provisions of this section extend to the Appraisal Section (HWY-RP) of the Right-of-Way (ROW) Branch.
- PROCEDURE:** The appraisal assignment request is made to the Appraisal Section Head, who delegates the assignment to a Supervisory ROW Agent V. The requested appraisals for acquisition purposes shall be addressed to the Attorney General, State of Hawaii, unless otherwise noted and routed through the ROW Manager. All other types of appraisals, e.g., for disposition, cost estimates, access rights, air space, revocable permits, and others will be addressed to the ROW Manager.
- Staff Appraisers shall be used for the appraisal of property for rental of construction parcels and other temporary uses, partial takings, whole takings, easements, improvements, cost to cure mitigation, short term leases or revocable permits of remnants and/or air space, access rights, remnant disposition, preliminary cost estimates, subdivision analysis, review of environmental impact statements, and other appraisal or review assignments as directed and applicable. The use of Staff Appraisers to appraise parcels to be acquired will not be assigned to negotiate or review the same.

- APPRAISAL REPORTS:** Upon completion of the inspection, data gathering, investigation and studies, the Staff Appraiser shall prepare applicable types of appraisal reports as covered in Section 3.2. Collection and exchange of market data, and the working with or in association with other Staff Appraisers is permissible. The inspection of the comparable sales, the subject property and the valuation of the subject property, must be the sole and independent opinion of the assigned Staff Appraiser. The General Instructions to Appraisers and other instructions normally furnished to the fee appraisers will be adhered to by Staff Appraisers.
- SPECIALIST:** Specialists may be procured to assist Staff Appraisers for special appraisal problems as covered in Section 3.7. If necessary, the Staff Appraiser and/or the specialist may appear as expert witnesses in court to defend the valuation opinion.
- INSPECTIONS:** Including the required inspections for appraisal purposes, Staff Appraisers shall make sufficient field inspections, investigations and other studies as necessary to fulfill the need of the requesting Branch in preparing land acquisition cost estimates for purposes of route selection, budgeting, project agreements and other requests.

**QUALIFICATIONS OF FEE APPRAISERS**

**PURPOSE:** This section describes the minimum qualifications required of Fee Appraisers.

**POLICY:** It is the policy of the Right-of-Way Branch (HWY-R) that all Fee Appraisers desiring to be considered for appraisal assignments meet the minimum qualifications as stated under Paragraph 5 of this Procedure. All applicants will be equally considered for employment in compliance with Title VI of the Civil Rights Act and that reasonable efforts are made to encourage potentially interested and qualified Fee Appraisers to apply and keep the Department's Approved List of Real Estate Appraisers viable.

**RESPONSIBILITY:** The Review Committee shall review and evaluate all applications, submissions and other pertinent information, including references and appraisal reports of all Fee Appraisers responding to the public advertisement and prepare the Approved List of Real Estate Appraisers. The Review Committee is composed of the Heads of the Highways, Airports and Harbors Property Management Sections and the Highways Division, Right-of-Way Branch's Appraisal Section Head or their designate. All Fee Appraisers are required to be a certified or licensed to perform appraisals in the State of Hawaii.

**SCOPE:** The provisions of this section extend to the Appraisal Section and independent Fee Appraisers.

**PROCEDURES:** In May of each year, continuous recruitment shall be advertised by the Department and placed in a newspaper of general circulation, inviting all Fee Appraisers to submit letters of interest, resumes and a copy of an updated State certification or license for consideration of placement on the list. If the Appraiser's resume is of good standing and on file for three years or less, a letter of interest will suffice.

To be eligible for placement on the list, the Fee Appraiser must submit a resume to the Review Committee and meet the following minimum qualifications:

- A. An education equivalent to graduation from an accredited high school and possess good moral character, integrity and sincerity of purpose;
- B. Five years of experience either in the appraisal of interests in real property, in the teaching of appraisal practices, or in the supervision of appraising;
- C. Possession of a Master's degree from an accredited college or university in business administration, real estate, property management, appraising, land management; or
- D. Possession of a Ph.D. degree from an accredited college or university in real estate, property management, appraising, land management or a closely related major may be substituted for three years of experience;
- E. Knowledge of the theories and principles of real estate valuation and land utilization, and steps, procedures and problems involved in the appraisal process;
- F. Submit an appraisal report on property actually appraised by him which shall have been reviewed and accepted by this Department as satisfactory;
- G. Submit a current appraiser certification or license with the State.

If the Fee appraiser has the minimum qualifications identified in items A, B and C, he is requested to submit a sample appraisal report prepared by him as provided in item D. If the appraisal report is found to be acceptable in form and content by the Review Committee, the applicant is placed on the Department's list of qualified real estate appraisers. If approved by the Director of Transportation, a letter by the Director will notify the applicant of the applicant's status.

A continual evaluation of the Appraiser's qualifications and performance will be based on review of actual assignments and qualifications submitted in appraisal reports annually. Once a year, the Fee Appraisers will be asked to update their qualifications and to list any specialty or unusual assignments they may have done for other clients. The Department's list is updated accordingly.

**SELECTION AND PROCUREMENT OF FEE APPRAISERS**

**PURPOSE:** This section describes procedures relating to the selection and procurement of independent Fee Appraisers and Specialists to Appraisers.

**POLICY:** It is the policy of the Right-of-Way Branch (HWY-R) to hire the best qualified appraiser for a particular assignment and to distribute fee appraisal assignments as equitably as possible among all qualified appraisers on the Department's list. Qualified appraisers without regard to race, color, religion, gender, national origin, political affiliation, age or handicap shall be given an equal opportunity to appraise all types of property.

**RESPONSIBILITY:** The Review Committee shall pre-qualify Fee Appraisers for placement on the Approved List of Real Estate Appraisers. The Screening Committee is responsible to evaluate and nominate Fee Appraisers to the Director of Transportation for appraisal assignment selection. The Appraisal Section (HWY-RP) is responsible to prepare the necessary documentation relative to an appraisal assignment and provide the appraiser with the necessary instructions, ROW Maps, and other pertinent information necessary to complete an assignment or assign a Staff Review Appraiser to accomplish the same. The Appraisal Section Head or assigned Review Appraiser shall maintain liaison with Fee Appraisers during the execution of an assignment and maintain quality controls for the procured appraisal reports.

**SCOPE:** The provisions of this section extend to HWY-RP, independent Fee Appraisers and the Department of Transportation (DOT).

**PROCEDURES:**

The request for appraisal is received by the ROW Manager, who assigns the appraisal work to the Appraisal Section Head. The Appraisal Section Head assigns a Supervisory ROW Agent V to function as the Review Appraiser for the procurement of professional services.

A. **Appraisal Selection and Agreement for Professional Services for Federal Funded Projects.**

The Appraisal Section Head determines the need for Independent Fee Appraisals based on the Section's workload and the project completion period. A cost estimate is made as to the Appraisal Fees on a per parcel basis, completion period and hourly consultation fees. Inspection of the project area (if feasible) and preliminary studies are completed before presentation to the Screening Committee.

The Screening Committee consists of the Heads of the Highways, Airports and Harbors Property Management Sections and the Appraisal Section Head or their assigns. The Screening Committee evaluates the Approved List of Real Estate Appraisers from the Review Committee and nominates five appraisers (eight, if two appraisers are to be selected) based on the following selection criteria:

1. Experience and professional qualifications of the staff to be assigned to the appraisal problem;
2. Past performance on appraisals of similar scope for public agencies or private industry; and
3. Capacity to accomplish the work in the required time.

**B. Request for Proposals (RFP)**

Upon receipt of the nominated appraisers from the Screening Committee, the Supervisory ROW Agent V or the assigned Review Appraiser prepares the Request for Proposals that includes the following:

1. Project identification and number;
2. Tax Map Key parcels affected, parcel number, area of taking;
3. Purpose of the appraisal;
4. Property interest to be acquired;
5. Right-of-Way maps, data to be furnished by the Department;
6. Instructions to the Appraiser;
7. Bid proposal form for fee on a per parcel basis, completion period, consultation fees, court fees, consultant fees, etc.

The Review Appraiser contacts each nominated Fee Appraiser prior to requesting bids from nominated appraisers for availability and potential conflict of interest with affected landowners. If a nominated appraiser is not available, the Screening Committee evaluates and nominates another fee appraiser.

Once the bid proposals are received from the Fee Appraisers, the Review Appraiser prepares a memorandum to the Director for selection of appraiser with the following information:

1. The scope of the appraisal assignment;
2. Estimated appraisal fee, consultation fee, completion period, court fees, consultant fees, etc.;
3. Copy of the RFP;
4. Original correspondence and bid proposals from nominated Fee Appraisers;
5. Screening Committee list of nominated Fee Appraisers;
6. Right-of-Way maps and other pertinent information.

Following the Director's selection, all non-selected Fee Appraisers shall be notified in writing of their non-selection for the appraisal assignment.

C. Agreement for Professional Services

The Review Appraiser prepares the Agreement for Professional Services (form AG1O3D (KI) (7/05)) describing the scope of work, payment schedule, completion period and special conditions. The appraiser is responsible to provide Federal and State tax clearances (Agreements over \$25,000.00) and a corporate resolution authorizing the appraiser to act on behalf of the corporation to sign the Agreement and complete the assignment. After the Fee Appraiser has executed the Agreement, the Review Appraiser forwards the original Agreement and the Director's selection of appraiser to the Attorney General for approval as to form.

The original Agreement with the Attorney General's approval is sent to the Director for signature by memorandum. Upon receipt of the executed Agreement, the Review Appraiser prepares and submits the Professional Services Awards Input Sheet with the original Agreement and four copies to the Contracts office for amounts in excess of \$25,000.00. For amounts under \$25,000.00, only the Professional Services Awards Input Sheet is sent to the Contract office upon receipt of the purchase order.

**NOTICE TO PROCEED:**

Unless instructed otherwise by the ROW Manager, the notice to proceed shall only be given upon execution of the Agreement by the Director. The letter of transmittal from the Director shall authorize the appraiser to proceed with the assignment and include reduced right-of-way maps, title information, if available, the Certificate of Appraiser (DOT 4-169A) and other pertinent information for incorporation in the appraiser's report.

**PROCESSING THE APPRAISER'S FEE FOR PAYMENT:**

Upon receipt of the completed appraisal report, the Review Appraiser checks the report for compliance with the Agreement and State and Federal requirements. After the Review Appraiser approves the acceptable appraisal report as fair market value, the Fee Appraiser is notified to send in the invoice for Agreement amount. The Review Appraiser signs the goods and services received stamped on the invoice and the prepared request for payment form. After acceptance by the Appraisal Section Head and appropriate approvals by the ROW Manager, the documents are submitted to the Fiscal office (HWY-SF) for payment.

**SPECIALISTS TO APPRAISERS:**

Specialists are construed to mean those who are experts in the valuation of special items not normally covered by the real estate appraiser. They include but are not limited to the following:

- A. Licensed civil engineers are used for estimating layout and development costs of hypothetical subdivisions for appraisal purposes;

- B. Licensed structural engineers and architects or building contractors are used for estimating the replacement or reproduction cost of special-purpose structural improvements;
- C. Licensed mechanical engineers, equipment firms, representatives of oil companies and other such qualified people are hired for valuation or relocation costs of machinery, equipment or specialty items. Landscape architects or nursery operations are hired for the valuation of landscaping and rare plants which the fee appraisers are not qualified to value.

**NUMBER OF SPECIALTY REPORTS:**

Minimum of one report is required. Additional reports may be required as stated in Procedure No. 3.2.

**MINIMUM REQUIREMENTS OF SPECIALTY REPORTS:**

- A. Statement of purpose of report;
- B. Definition of value reported, i.e., fair market value, salvage value, crop damages, etc.;
- C. Identification of the property and ownership;
- D. Statement of assumptions or contingent and limiting conditions;
- E. Identification of value problem;
- F. The estimate of value and date of valuation;
- G. Analysis to explain, substantiate and document the estimate of value;
- H. The certification, signature and date of signature of the Specialist;
- I. The project number and parcel identification;
- J. Other descriptive material (maps, charts, photographs, plans).

**APPRAISAL REVIEW**

- PURPOSE:** This section describes procedures in the Appraisal Review process.
- POLICY:** All appraisal reports for acquisition of real property rights shall be reviewed by a qualified Review Appraiser and fair market value established by the Review Appraiser prior to negotiations or hearings in condemnation proceedings.
- RESPONSIBILITY:** Review Appraisers are responsible for reviewing all appraisal reports and for establishing fair market value of real property and/or partial interests. Journeyman Level Right-of-Way Agent IV and above may be assigned as review appraisers. Lower level appraisers may perform reviews under the supervision and direction of Journeyman level agents and above.
- SCOPE:** The provisions of this section extend to the Appraisal Section (HWY-RP).
- PROCEDURE:** Upon receipt of appraisals, whether prepared by staff or Fee Appraisers, the Review Appraiser assigned by the Appraisal Section Head, will make necessary investigations, inspections of subject properties and comparable sales, studies and other pertinent steps to insure that the report(s) comply with Federal and State requirements. The appraisals are verified to be properly supported and documented to determine an estimate of just compensation. In the Report of Review Appraiser, form DOT 4-182 (see page 3.8-A), or any other approved report format, the Review Appraiser shall perform all necessary steps to insure that uniform standards are used in the appraisal and the review of properties involving minority, non-minority groups, Title VI assurances and other federal guidelines are strictly followed.
- The value so estimated shall govern the negotiations and be a starting point to make an offer to the owner(s)/lessee(s) affected. Review Appraisers shall have the responsibility to estimate just compensation provided that the estimate of value is adequately supported and documented and is in accordance with this and other procedures.

The Review Appraiser, on the basis of additional supported and documented value information, may at any time prior to settlement, adjust the final value estimate of just compensation subject to the approval of the Right-of-Way (ROW) Manager. The Review Appraiser shall document the file with the reasons for any change made, including the data used for the change in the estimate. All value estimates and calculations made by the Review Appraiser shall be retained as part of the project files.

The review appraiser must discuss with the appraiser any discrepancies, errors, omissions, etc. and give an opportunity to respond in writing. The Review Appraiser shall initial and date the corrections or supplements in the original or "Office Copy" of the appraisal report.

The Review Appraiser will maintain liaison with the Fee or Staff Appraisers during progress of the assignment for purposes of maintaining quality controls over the appraisal product and monitoring the agreement for professional services on behalf of the Appraisal Section Head and the ROW Manager.

**LIQUIDATED DAMAGES - ASSESSMENT OR WAIVER:**

If a Fee Appraiser cannot meet the appraisal deadline, he must submit a written request stating the reasons for an extension of the agreement deadline. The ROW Manager may grant the extension if it is found that the request is reasonable and can waive liquidated damages. Otherwise, liquidated damages will be assessed as stipulated in the agreement for professional services.

**FIELD INSPECTION:**

The Review Appraiser shall make an inspection of the property appraised and the comparable sales relied upon. If a field inspection cannot be made, or is not necessary, the file shall reflect the reasons and justification.

**REVIEW PROCESS:**

The Review Appraiser shall examine the appraisal report(s) to determine that the appraisal has:

- A. Been completed in accordance with the procedures, standards, and methods set forth in the State's appraisal specifications;

- B. Used accepted principles and techniques in evaluation of real estate in accordance with Hawaii Revised Statutes, Chapter 101;
- C. All the information and documentation necessary to substantiate the conclusions and estimates of value contained therein;
- D. Included considerations of all compensable items and benefits and do not include compensation for items that are non-compensable under State law;
- E. A breakdown or a separate statement showing a reasonable allocation of land, improvements, damages and benefits, if any;
- F. A statement indicating that the owner (and lessee) or his representative was afforded the opportunity to accompany the appraiser on inspection of the property, if necessary.

The ROW Manager, or assigns, may procure a Specialist for a separate valuation of landscaping, crop damage, machinery, equipment or other specialty items for incorporation in appraisal reports. The Specialist's appraisal shall first be reviewed by a Review Appraiser or Staff Specialist to determine its acceptability before distribution to the Fee or Staff Appraisers.

The value of such specialty items shall not be arbitrarily added to the valuation of the other realty, but shall be considered to the extent of their contributory value in establishing the value of the whole property or partial taking.

#### **CORRECTIONS AND REVISIONS OF APPRAISAL REPORTS:**

Prior to making his estimate of just compensation, the Review Appraiser shall request corrections or revisions of the appraisal reports which do not meet the requirements set forth in the ROW Branch's instructions to appraisers. These shall be documented in the Branch files.

The Review Appraiser may document the review to correct minor mathematical errors in an appraisal that does not affect the final value conclusion. The Review Appraiser may also supplement the appraisal report where the following factual data have been omitted: project and parcel number, owner's name, parties to transaction, sale verification, date of purchase financial considerations, deed book, reference on sale of subject property, statement that there were no sales of subject in past five years, subject's location, zoning, and present use, and zoning of comparable sales.

The Review Appraiser shall initial and date the corrections or supplements in the original or "Office Copy" of the appraisal report.

**RETENTION OF APPRAISALS:**

A copy of all appraisals and reviews shall be retained by the Appraisal Section and the "original" report will be stamped "Office Copy". Where corrections or revisions are necessary, the Staff or Fee Appraiser shall furnish corrected, revised or supplemental pages or portions of the report for attachment to the Office Copy. Any request for substantive corrections or revisions of an appraisal report shall be documented in the Appraisal Section's files.

**REPORT OF REVIEW APPRAISER:**

The Report of Review Appraiser shall be prepared on Form 4-182 (see page 3.8-A) or an acceptable format approved by the Appraisal Section Head. The original of the review shall be prepared on a green form for easy identification in the main files of the Branch. Journeyman, supervisory and Appraisal Section Head (ROW Agents IV, V and VI) are authorized to function as review appraisers. Reports prepared by ROW Agent IV (journeyman) should have the initials of the immediate supervisor next to his signature.

The review report shall contain a breakdown of land, improvements, severance damages, special benefits, non-compensable items, etc., if applicable. This information is necessary for negotiations, property management, relocation, the Attorney General and others who use it.

**BASIS OF OFFER FORMS:**

The Review Appraiser shall prepare the appropriate basis of offer forms, Report of the Review Appraiser, DOT 4-182, (see page 3.8-A), Review Certification, DOT 4-182c, (see page 3.8-D), Addendum to Report of the Review Appraiser, DOT 4-182a, (see page 3.8-E), Appraisal Summary Statement, DOT 4-444, (see page 3.8-F), Appraisal Summary Statement (Leasehold), DOT 4-445, (see page 3.8-G), Statement of Just Compensation, DOT 4-443 (see page 3.8-H).

**APPROVAL OF REPORT OF REVIEW APPRAISER:**

The person preparing the Report of Review Appraiser shall sign the report which must be approved by the Appraisal Section Head and accepted by the ROW Manager. The report can be returned for re-review by either the Appraisal Section Head or the ROW Manager when new value information is presented, for further clarification or supported factual errors found. Under no circumstances will an approved Report of Review Appraiser be discarded.

**DISTRIBUTION OF REPORT OF REVIEW APPRAISER:**

The original (green) and a copy of the approved Report of Review Appraiser are delivered to the Land Acquisition Section Head or to the Property Management Section Head for negotiation purposes, whichever the case may be.

**REVIEW OF REAPPRAISALS OR PROPERTY OWNER'S APPRAISAL REPORTS:**

The Review Appraiser will use standard procedures in reviewing re-appraisals or property owner's appraisals if such reports are assigned to him. Any change in value from the original Report of Review Appraiser should be documented in the files.

**COURT TESTIMONY:**

If necessary, the Review Appraiser may testify in court as an expert witness and assist the Attorney General's office with any condemnation proceedings.