

Integrating Land Planning into Appraisals

Overview

In the field of “eminent domain” or “condemnation” appraisal, an appraiser is often required to incorporate a land planner’s report into his appraisal. Many partial acquisitions of improved properties for public projects leave remainder properties in essentially the same condition as they were before the acquisition, but they are not really able to function without curative work and perhaps a redesign of the remainder. For example, the acquisition of substantial parking or other significant property improvements such as access points may require a land planner to redesign parking and restore functionality to the remainder.

Under these circumstances, an appraiser or the public agency may request a land planner study the impact of the acquisition and develop a plan to return all or some measure of functionality to the remainder property. An appraiser’s ability to work effectively with the land planner may determine how well the appraiser defines the market value of the acquisition and any damages resulting from it. This article will explore the relationship between the appraiser and the land planner and provide guidance from an appraisal perspective on how appraisers and land planners can achieve positive results.

When is a Land Planner needed?

Most partial acquisitions from improved property for highway expansions, power lines, gas pipelines or other proposed longitudinal occupancies can encompass site improvements and often building improvements. The degree of impact to the remaining property is determined by the nature and the size of the acquisition.

A small “corner clip” of a few hundred square feet from an improved office building sitting on two acres with an ample landscaping buffer along a roadway may not justify employing a land planner. The appraiser can merely estimate the contributory value of the landscaping in the area of the acquisition along with the value of the land being acquired. Minor acquisitions may not require a land planner.

However, should this same property have two of its four driveways closed as a result of the acquisition and twenty parking spaces from its parking lot within the area to be acquired, the services of a land planner are definitely recommended. Even though an experienced eminent domain appraiser may be able to put together a simple cure plan for a remainder office building to restore some parking and analyze the impact of the driveway closures, he is wise to allow a qualified land planner to undertake this task.

Additionally, the land planner is better able to furnish the appraiser with a reasonable cost to cure for the remainder property using local contractors. The land planner can create an “After Acquisition” plan for the office building and present it to the local planning and

zoning agency for approval by the Development Review Committee and the local Planning Director.

What is the Relationship between the Appraiser and the Land Planner?

There are various opinions about “much” or how “little” a land planner’s report should be included within an appraisal report. There is also a great of debate among appraisers about how critical a land planner’s report is in a partial acquisition appraisal. Typically, appraisers either welcome the land planner’s insight and comprehensive conclusions or they do not.

The land planner in a partial acquisition is really assisting an appraiser through two of the four criteria in his highest and best use analysis of the remainder property. He is analyzing the remaining improved property to see if it is *physically possible* to continue the existing use and return functionality to it. Next, he is designing a solution for the remainder property, which the local planning and zoning officials can approve so the use will be *legally permissible*.

Naturally, the appraiser has to independently establish whether or not the land plan is in synch with the appraiser’s highest and best use. Many appraisers only reference the land plan in their appraisals or feature portions of the land plan report in the appraisal’s addendum to avoid any potential conflicts with their highest and best use.

Sometimes land plans tend to make statements, which sound as if the land planner is doing his own highest and best use analysis and this, is an area where appraisers and land planners do experience some difficulties. Highest and Best Use is the providence of the appraiser and not the land planner. Decisions about whether a remainder property’s use is “financially feasible” or “maximally productive” are the purview of the appraiser.

Land plans often conclude their reports by stating their design for the remainder property is the “maximum development potential” for the remainder. Statements similar to this suggest to appraisers the land planner maybe infringing on his highest and best use analysis. The term, “maximum development potential” implies a degree of financial feasibility in its title.

Another area where a land planner and an appraiser may differ is in the proposed cure for an improved remainder property. A land planner attempts to restore the same functionality to the remainder it had before the acquisition. In some cases, if this is not possible, the land planner makes statements about the remainder’s lack of utility, which border on an appraiser’s economic analysis of the remainder’s cured situation.

Land planners should avoid interjecting any conclusions regarding valuation issues in their reports. Appraisers appreciate land plans with factual conclusions concerning the improved remainder property’s ability to function, absent of any comments regarding “reduced marketability” or “limited parking for this class of office.” The land plan should

merely identify what will be permitted by the local planning and zoning department and whether or not the remainder property will be legally conforming or legally non-conforming for various property improvements.

Improving the Environment between Appraisers and Land Planners

There are a few appraisers who do not enjoy working with land planners, even when they are dealing with complex acquisitions. Both appraisers and land planners are professionals and each may have their own opinion about the remainder's potential use and these opinions could differ.

Another one of the potential conflicts is time, because land plans tend to take as long as or often longer than it does to complete the appraisal. Clients scheduling appraisals in conjunction with land plans often contract separately with the appraiser and the land planner, but usually run both schedules concurrently. If the appraiser is dependent on the land planner's report to finish his or her remainder valuation, the appraisal may be delayed while the appraiser waits to receive the land plan report.

Clients, who may be attorneys or governmental agencies, should plan their contracts with appraisers and land planners so both professionals have adequate time to complete their respective assignments. Further, clients should consult with their appraiser before contracting with a land planner. An appraiser may have a better working relationship with certain land planners than with others and it is advisable to solicit their input. The appraiser is responsible for the credibility of any reports or portions of reports he includes within his appraisal so his confidence in the land planner's work is a key aspect in the appraisal process and in satisfying his obligations in USPAP [S.R. 2-2(a)(vii), 2-2(b)(vii) and S.R. 2-3].

A second method of improving the relationship between appraisers and land planners in project work is to pair appraisers and land planners with properties they both enjoy working on. Appraisers and land planners can appraise and evaluate many types of properties, but like all real property professionals they may specialize in specific improved properties.

Some appraisers have an affinity for appraising fast food restaurants and some land planners may specialize in planning these properties. For a large highway widening project situated in a metropolitan area, a client may be well advised to contract with and pair those appraisers and land planners who excel in planning or appraising fast food restaurant properties. To establish a certain consistency in the valuation and the curative solutions the client should consider assigning them all of the fast food properties being acquired.

Conclusion

Appraisers and land planners can provide a valuable service to clients trying to negotiate partial acquisitions from improved residential, commercial and industrial properties.

Appraisers and land planners can complement and augment each other's professional analysis and special expertise. Both groups have a critical role in determining whether improved remainder properties can continue to function in their current use or seek an economically-viable alternative use in the after situation.

Appraisers doing eminent domain or condemnation appraisal work should actively seek out land planners in their area of practice and become familiar with their work. In a similar manner, land planners doing eminent domain work on remainder properties would be wise to meet with appraisers to discuss how their land plans could be more helpful to appraisers.

Finally, clients engaged in eminent domain acquisitions should be aware of the unique dynamics between appraisers and land planners or other specialists involved in partial acquisitions from improved properties. Contracting for appraisal and land planning services in conjunction with partial acquisitions cannot be done "in a vacuum" or in isolation among the experts.

In eminent domain appraisal work, a good working relationship between the appraiser and the land planner is essential. This article has attempted to explore some recommendations on how appraisers and land planners can work together more effectively.

About the Author

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