INGLEWOOD TRANSIT CONNECTOR

APPRAISAL POLICY

1.0 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 Connector Project.

All appraisals for acquisition of real property will be prepared and reviewed in accordance with all applicable federal, state and local laws and regulations, including when applicable, the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as amended (the Uniform Act); Moving Ahead for Progress in the 21st Century Act (MAP-21) and revisions to 49 CFR Part 24 Final Rule effective June 3, 2024 which updates existing regulations of the Uniform Act ("Final Rule"), the Uniform Standards of Professional Appraisal Practice (USPAP); to the extent appropriate the Uniform Appraisal Standards for Federal Land Acquisition (UASFLA) commonly referred to as the "Yellow Book." FTA Circular 5010.1F (revised November 1, 2024); 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:

2.0 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 or the owner's designated representative.

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 appraisal requirements required by local, state and federal regulations, as applicable. This includes compliance with the

Scope of Work defining the appraisal requirements and, as appropriate, a realty/personalty report. The appraiser will also address any requirements 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 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 contamination or material's presence has on the market value. Where available, environmental site assessments (ESA) research results will be provided to the appraiser prior to completion of the valuation process, if available, so that the results 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.

8. In the case of a donation, an appraisal may not be required if the owner releases the City from its obligation to appraise the property; however, an appraisal will be required if the property is to be used as an in-kind contribution.

9. An appraisal will not be required if the City determines that an appraisal is unnecessary because the valuation problem is uncomplicated, the real property has a low fair market value, and the anticipated fair market value is estimated at $15,000 or less, based on a review of available data, using the waiver valuation provision. The $15,000 threshold may be increased to $35,000 if the City offers the property owner the option of having the City appraise the property. The City representative or appraiser making the determination to use the waiver evaluation option must understand valuation principles, techniques, and use of appraisals to be able to determine whether the proposed acquisition is uncomplicated and has a low market value.

10. Waiver valuations are not appraisals. Persons preparing or reviewing a waiver valuation are precluded from complying with Standards Rules 1, 2, 3 and 4 of the Uniform Standards of Professional Appraisal Practices as promulgated by the Appraisal Standards Board of the Appraisal Foundation. Because a waiver valuation is not an appraisal, a review of a waiver valuation is not required unless state law requires. If the property owner elects to have the City appraise the property, the City must obtain an appraisal and will not use the waiver evaluation procedure.

11. All appraisals for acquisition of real property will be reviewed in accordance with acceptable appraisal practices 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. **Notice to owner**. As soon as feasible, a written notification will be sent to the property owner regarding the City's interest in acquiring the real property and its decision to appraise the property and the basic protections provided to the owner by law. 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 the owner's designated 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, considering 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 develop a scope of work, define the appraisal problem and furnish the appraiser with information regarding ownership, encumbrances, the rights to be acquired, and the project requirements for the property. The City will assure that the appraisal is relevant to its program needs, reflects established and commonly accepted appraisal practices. 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 with expertise in the areas of real estate valuations, fixtures and equipment valuations, goodwill valuations, and appraisal review.

Independent appraisers 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 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 may be obtained for unusually complicated parcels or if the parcel value is estimated to exceed $5,000,000 in value, including improvements pertaining to realty and severance damages. If the real property has been appraised within 18 months and there have been no significant changes in market conditions or improvements to the property, one (1) new appraisal and appraisal review will be sufficient to update the value for the purpose of recommending the amount of the revised Just Compensation. If two appraisals are obtained, both appraisals shall be separate and fully independent in calculations, analysis, and conclusions.

One appraisal will be obtained for FF&E and goodwill.

2.6 FTA APPROVAL

Parcels acquired with the use of federal funds require concurrence from 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 indetermining the just compensation for the property.

2.8 OWNER RETENTION OF IMPROVEMENTS

If the owner of real property is permitted to retain real property improvements for its removal from the project site, the amount to be offered for the interest in the real property to be acquired shall not be less than the difference between the amount determined to be the Just Compensation for the owner's 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.

Just Compensation for a tenant-owned improvement is the amount which the improvement contributes to the fair market value of the whole property, or its salvage value, whichever is greater.

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 shall examine the presentation and analysis of market information to ensure that the appraisal meets the definition of appraisal found in 3.0 below, appraisal requirements, and all applicable federal, state, and City regulations and appraisal requirements and standards including, to the extent appropriate, the UASFLA, and support the appraiser’s opinion of value. The level of review analysis depends on the complexity of the appraisal problem. Prior to acceptance of an appraisal report, the review appraiser shall seek necessary corrections or revisions to the report. 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. The review appraiser shall make one of the following determinations:
   - That the appraisal report is accepted (meets all requirements) and the Just Compensation amount is recommended, or
   - That the appraisal report is accepted (meets all requirements) but the Just Compensation amount is not recommended, or
   - That the appraisal report is not accepted (does not meet all requirements).
7. When dual appraisals are obtained, the reviewer appraiser shall recommend which appraisal report should be used as the basis for the establishment of the amount believed to be Just Compensation.
8. 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 upon request from the ITC project team, the Real Estate Team or City officials. 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 CONFLICT OF INTEREST AND SEPARATION OF APPRAISAL AND ACQUISITION FUNCTIONS

1. The appraiser, review appraiser or persons performing the waiver valuation shall not have any interest, direct or indirect, in the real property being valued for the City.

2. Compensation for developing an appraisal or waiver valuation shall not be based on the reported opinion of value.

3. Persons functioning as negotiators may not supervise or formally evaluate the performance of any appraiser, waiver valuation preparer, or review appraiser performing appraisal or appraisal review work.

4. Generally, an appraiser involved in the preparation of an appraisal for the determination of Just Compensation shall not negotiate for the purchase of the property. However, an appraiser, review appraiser or waiver valuation preparer may be authorized by the City to act as a negotiator for the acquisition of real property for which that person has performed an appraisal, appraisal review or waiver valuation only if the offer to acquire the property is $15,000 or less. The City may use the authority to act as the negotiator on a valuation greater than $15,000 and up to $35,000.

5. No person shall attempt to unduly influence or coerce and appraiser, review appraiser, or waiver preparer regarding any valuation aspect of an appraisal, review or waiver valuation.

2.13 APPRAISAL SCHEDULES

The ROW Team shall develop a schedule 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.

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

ROW Advisor: responsible for providing strategic guidance to 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 Team coordinates and serves as a liaison between the City and attorneys retained to represent the City in condemnation cases. This Team 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: will provide appraisal, acquisition, relocation, and environmental investigation services to assist the ROW Team to complete the proper acquisition of real estate and relocation of businesses in accordance with federal and state law and applicable policies.

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.