

Guidelines for Before and After Appraisals

Performing a *Before* and *After* appraisal is a process that follows a set of consecutive procedures, which must be executed *in order* for the process to have a successful conclusion. Below is a quick synopsis of the procedural steps and a brief description of each of the components.

Determining the Larger Parcel

Determining the *Larger Parcel* is a sub-process of determining the Highest and Best Use. However, this sub-process is being split out from the discussion of Highest and Best Use in this example to emphasize the importance of this poorly understood step and focus on the reasoning necessary to complete it.

There are 2 main criteria to be considered in determining the larger parcel, *Unity of Ownership* and *Unity of Use*. There is also a sub-criteria of *Proximity* (sometimes also called *Contiguity*) which is considered in the context of the 2 main criteria.

In determining *Unity of Ownership*, the appraiser must look not only at the property which will be acquired, but also any other lands owned by the landowner and even lands that may be owned by relatives or the landowner holds in less than fee interest.

Any lands that may have value affected by the taking, either by an increase or decrease in value, should be included in the *Larger Parcel*. This can even include lands that are rented by the landowner or used by the landowner and owned by a relative, for instance.

In determining *Unity of Use*, the appraiser must decide, based on market evidence, which of the landowner's interests are consistent with the use of the parcel to be acquired.

For Example: Your agency is acquiring 20 acres of pasture and woodlands in a larger agricultural holding. The landowner owns the 80 acre agricultural parcel of which there is a 5 acre farmstead. Common local practice is to separate the farmstead from the agricultural lands when selling this type of property. Therefore, the farmstead could be exempted from the *Larger Parcel* by the *Unity of Use* criteria.

Conversely, if a farmer is renting a 40 acre parcel from another landowner, and this parcel is absolutely necessary for a viable farming operation, the rental parcel could, and probably should, be considered part of the *Larger Parcel*, even though the landowner does not have any fee interest in it.

The third, sub-criteria of Proximity is only applied in the context of the first two.

For Example: A farmer has a viable 240 acre farm operation in Goodsoil County, MN. He also has a few scattered agricultural 40's and 80's in neighboring Hardrock and Sandpit Counties. These parcels are farmed by the same employees of the farmer and

crops are supplied to the same markets as his main 240 acre farm. These scattered, detached parcels should probably be considered for inclusion in the *Larger Parcel*.

Conversely, a farmer has a viable 240 acre farm operation in Goodsoil County, MN. He also has a viable 180 acre farm operation in Deeploom, County, several hundred miles away. The two operations are farmed by different employees and supply crops to different markets. Even though the same landowner has fee ownership of both properties and they have a *Unity of Use*, because of a lack of proximity, it is unlikely either of these two operations would be affected by any changes to the other and they would not likely be a part of a *Larger Parcel*.

Highest and Best Use

The Highest and Best Use analysis is conducted in the same manner as with any appraisal, with one exception. A full *Highest and Best Use* analysis must be made for the *Larger Parcel* in both the *Before* **and** *After* conditions. As with all appraisals, the *Highest and Best Use* analysis is the cornerstone of the appraisal and should be done with great care.

The Appraisal Process

In appraising the *Before* condition, once the *Larger Parcel* and the *Highest and Best Use* have been determined, the appraisal process follows the normal routes. Whichever of the 3 approaches are applicable are used and the appraiser proceeds to value the *Larger Parcel*. The valuation should include a reconciliation of the approaches used, if necessary, and a final value determination.

In appraising the *After* condition, once the *Larger Parcel* and the *Highest and Best Use* have been determined, the appraisal process, again, follows the normal routes. Whichever of the 3 approaches are applicable are used and the appraiser proceeds to value the *Larger Parcel*. The valuation should include a reconciliation of the approaches used, if necessary, and a final value determination.

After the *Before* and *After* values of the *Larger Parcel* have been determined, the *Value of the Taking* is calculated by simply subtracting the *After Value* from the *Before Value*. Technically, this is not referred to as the *Value of the Taking*, because the appraiser never directly valued the taking, only the *Larger Parcel* in the *Before* and *After* conditions. However, when discussing this value with non-appraisers, referring to this value as the *Value of the Taking* seems to be easier for them to understand.

Severance Damages

When conducting a full *Before* and *After* appraisal, as described above, any enhancement or diminution of the value of the property is captured in the appraisal process and does not need to be calculated separately. Therefore, there is no independent calculation of severance damages.