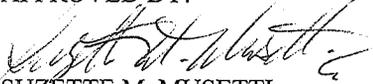


R/W MANUAL CHANGE

RWMC- 234

PROCEDURAL HANDBOOK
 (1984 Edition)

RWPH-____-____-____
 TRANSMITTAL#____

TITLE: APPRAISALS	APPROVED BY:  SUZETTE M. MUSETTI	DATE ISSUED: JAN 31 2014 Page 1 of 1
SUBJECT AREA: CHAPTER 7 - APPRAISALS	ISSUING UNIT: OFFICE OF APPRAISALS AND LOCAL PROGRAMS	
SUMMARY OF CHANGES: Revises 7.13.40.00 in Section 7.13.00.00, "Special Appraisal Reports." Also revises 7.13.50.03, 7.13.60.00, and 7.13.60.01 in Section 7.13.50.00, "Utility, Railroad and Governmental Ownerships."		

PURPOSE

This manual change clarifies the railroad valuation process by detailing the areas that must be explained and analyzed. The areas detailed are differences between operating and nonoperating railroad right of way, differences between valuation of transverse crossings and longitudinal requirements, and the project influence on railroad operations.

BACKGROUND

Attention was brought to the offices of Appraisals and Local Programs that there was confusion in the way railroad properties are valued as opposed to other non-Public Utility properties. This manual change adds clarification for railroad valuations found in the California Appellate Court ruling of the City of San Jose v. Union Pacific Railroad (May 20, 2010) Company. These include the affirmation of the previous Schenck (1925) ruling for the public's right to cross, the constitutional concept of reasonable compensation, the distinction between operating and nonoperating railroad right of way, differences between valuation of transverse crossings and longitudinal requirements, and the project influence on railroad operations.

PROCEDURES

- | | |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| 7.13.40.00 | Explains the review and recommendation process for Staff Litigation Reports and the preparation of the Report Analysis Form (Exhibit 7-EX-18). |
| 7.13.50.03 | Clarifies and adds consistency to the utility improvement valuation process. |
| 7.13.60.00-7.13.60.01 | Clarifies the Railroad right of way valuation process. |

EFFECTIVE DATE

Immediately.

MANUAL IMPACT

- Remove the superseded pages and insert the attached pages in the Manual.
- Record the action on the Revision Record.

REVISION SUMMARY

<u>Chapter</u>	<u>Remove Old Pages</u>	<u>Insert New/Revised Pages</u>
	Remove the following in its entirety:	Replace with the following in its entirety:
7 - Sections	7.13.00.00 (REV 10/2009)	7.13.00.00 (REV 1/2014)

7.13.00.00 - SPECIAL APPRAISAL REPORTS

7.13.01.00 General

Some special appraisals shall be prepared in separate reports. Such Special Reports may have modified formats, and follow modified review and approval processes as discussed below. These Special Reports include appraisals for material and disposal sites; sites for maintenance stations, shops, and offices; joint acquisitions by the California Department of Transportation (Department) and other public agencies; and inverse condemnation actions.

7.13.02.00 Material Site Appraisals

If a material site is to be acquired in conjunction with a right of way acquisition, both requirements will be appraised as a whole and separated into two reports.

The "Introduction" will include economic justification for purchase of the site as compared with the cost of securing the material by royalty agreement. The approximate quantity of material to be taken from the site should be noted. A comparison can then be made as to the equivalent cubic meter cost should the material be secured by materials agreement. The going price for similar material in the vicinity on a metric basis should be indicated. The estimated salvage value of the land after removal operations have been completed shall also be shown.

The format, content, and approval process is the same as any other regular acquisition appraisal.

The appraisal will contain the following information:

- A. A statement by the Region/District Materials Engineer as to the quantity and quality of the material.
- B. The name of the office originating the request (Construction, Project Development, or Maintenance).
- C. The termini of the project or projects on which the material is to be used.
- D. The budget or program in which the project or projects may be found (if there is a specially voted project by the California Transportation Commission, so state and indicate the date of the vote).
- E. The average haul distance from the site to the project or projects, or to that portion of the project or projects on which the material is to be used.
- F. A statement that the location of the material site does not violate any of the provisions of the Standard Specifications (prohibiting excavation which would result in scars which will present an unsightly appearance from any highway). If the provisions of the Standard Specifications cannot be complied with, a statement must be included to the effect that the Region/District will take such action as is necessary to correct any unsightly appearance.
- G. A statement that the location of the material site is not in violation of any ordinance or zoning regulations.
- H. Approximate date of termination of use.

7.13.03.00 **Disposal Site Appraisals**

If a disposal site is to be acquired in conjunction with a right of way acquisition, both requirements will be appraised as a whole and separated into two reports.

The introduction should include the same information as listed for material sites under 7.13.02.00 B through H.

7.13.04.00 **Office and Maintenance Station Site Appraisals**

Appraisals of new sites for maintenance stations, shops, or office buildings shall be separate reports. If the site is to be acquired in conjunction with a right of way acquisition, both requirements will be appraised as a whole even though separated into two reports. All other appraisals not a part of a right of way project will be in the standard format and content with the same approval process as a regular acquisition appraisal.

7.13.10.00 **Joint Acquisition Appraisals**

The Department may enter into Cooperative Agreements with other public agencies for purchase of property for other public purposes. The date and title of the Cooperative Agreement will be referenced in the report. The highway requirements and the other agencies' requirements will be shown separately with the appropriate values distributed to each in accordance with the agreement.

The appraisal will assume that all agencies' acquisition and construction occur together and no damages or benefits caused by one shall affect the before value of the other. This does not preclude proper apportioning of damages occurring to remaining property due to specific construction features of one. Similarly, benefits due to the construction project of one agency may be used to offset damages caused by the other.

If the Cooperative Agreement provides for specific proportions for sharing right of way costs, these proportions will be used in the report and shown on the Appraisal Page.

Legal opinions should be obtained before condemnation of joint acquisitions.

7.13.20.00 **Protection Appraisals**

Protection acquisitions require prior approval by Project Development and Construction, and approval to proceed with a protection appraisal requires prior Region/District Manager approval. Upon receiving authority, the Region/District shall proceed to prepare an appraisal covering this acquisition. The appraisal will be prepared the same as a regular program appraisal, but identified as a "Protection" appraisal.

Appraisals submitted for HQ R/W approval must contain a reference to the date of the approval authorizing the protection acquisition. Any special funding approval must also be noted in the report.

7.13.30.00 **Appraisals for Other Agencies**

Appraisals prepared for other State or Local Agencies will be comparable in format and documentation to that of a staff appraisal for the Department except where the agreement with the agency specifies a different product.

7.13.40.00 **Staff Litigation Reports**

An appraisal for condemnation or inverse litigation testimony shall be of sufficient detail, consistent with legal and professional requirements for format and documentation to present a clear and accurate opinion of value. The staff appraiser will be furnished all data that would be furnished a contract appraiser at the time of the assignment. A Report Analysis Form (Exhibit 7-EX-18) will be prepared by the District originally delegated the type of report or values. Condemnation appraisals are to be completed and submitted for review at least 14 days prior to exchange with opposing counsel and 60 days prior to the trial date. The completed Exhibit 7-EX-18 will be forwarded to the District, the State's Attorney of Record (Caltrans Legal Division), and Right of Way Headquarters Acquisition Section with a recommend or discommend approval for the Staff Report.

If the Legal Division requests preparation of a staff independent appraisal for purposes of inverse litigation, the report will conform to the same standards as a condemnation report, but will show the phrase "Inverse Condemnation Appraisal" on the front cover. A description of the claim will be included.

The following two statements will be included in the Certificate of Appraiser:

- A. "This report is pursuant to the request of and for the confidential use by the Legal Division for the purpose of defending the State."
- B. "Valuation conclusions are the result of using given legal assumptions for analysis purpose only and in no way imply acceptance or rejection of the validity of the claim to which this report relates."

NOTES:

7.13.50.00 - UTILITY, RAILROAD AND GOVERNMENTAL OWNERSHIPS

7.13.50.01 Public Utility Property

Property owned in fee by public utilities (including governmental utility agencies, irrigation district/regions, and flood control district/regions) may be subject to special appraisal treatment, including the purchase of replacement land for exchange, where necessary. If the public utility and the State have entered into a master agreement at variance with instructions, the master agreement will prevail. In these cases, the title and date of the master agreement will be noted in the appraisal. Appraisers should first confer with the Utility Branch when assigned public-utility owned parcels to appraise.

7.13.50.02 Fee Land

- A. If joint use of fee-owned property is proposed, the land required for highway use will be appraised at the market value of the underlying fee. This envisions the land utilized by the utility facility has a secondary use. For example, an electric tower line traverses a property. The area under the line may still be used for agriculture, parking or residential assemblage.
- B. If the State proposes to replace the land in full required by exchange, land value of the fee-owned parcel should be shown as zero (Market Value may be shown in "Remarks"). In "Remarks," describe the location and parcel numbers of the replacement land, if determined.

When the State is replacing the fee-owned utility right of way with a replacement right of way that is not as wide as the existing utility property being acquired, the valuation approach will be the same as set forth in Section 7.13.60.01 for valuation of railroad operating right of way.

- C. If the public utility proposes to acquire the replacement property, the land value should be the market value of the minimum requirements of the replacement property. The basis of the valuation and description of the replacement property must be fully documented in the appraisal.
- D. If the public utility proposes to abandon the use of the property without replacement, market value would be paid for the required property considering the property clear of the public utility use. Cost of abandonment and removal of improvements may be covered by utility agreement.
- E. Public utility corporation yards, shops, office and other proprietary properties will be valued by normal methods.

7.13.50.03 Improvements

Relocation and/or replacement of buildings, equipment, and lines involved in the utility production or transmission will normally be handled by utility agreement. Improvements which are relocated and/or replaced under the utility agreement will be clearly described and assigned a zero value. Improvements which are not included in the utility agreement will be valued using normal appraisal methods, with depreciation and salvage value given full recognition.

7.13.60.00 Railroad Property General Prerequisites

All appraisals of railroad-owned properties are to be submitted to HQ R/W for review and approval, regardless of the monetary amount involved. All appraisals of railroad-operating properties connected with rights of way, depots, station grounds, switching yards, or public team tracks, etc., are specialized and require special handling, including being submitted to HQ R/W for review and approval, regardless of the monetary amount involved.

All railroad properties will be appraised in the full, narrative format at market value of underlying fee and be in compliance with all other sections in the Right of Way Manual for appraisal reporting (except where noted in this section). The Non-Complex Valuation of \$10,000 or Less and the Waiver Valuation formats shall not be used. Railroad parcels are not eligible for the one-agent appraise/acquire process.

Proper handling of railroad properties requires a high degree of coordination between numerous departments, including Legal, Structures, Project Development, and Right of Way. The following prerequisites apply:

- A. Upon assignment of a railroad property appraisal, the appraiser shall first confer with the Region/District Railroad Agent. The delivery of the Notice of Decision to Appraise letter shall be coordinated through the Region/District Railroad Agent. The Railroad Agent may also facilitate inviting a railroad representative on the inspection of the subject.
- B. Railroad appraisals are to be submitted on a construction project basis including all takings from the railroad ownership in a single appraisal.
- C. Due to extraordinary lead time requirements, appraisals of land located within the railroad's transportation corridor must be submitted a minimum of 24 months prior to the project certification date. Single transverse crossings of railroad transportation corridor which do not require substantial relocation of rail facilities are excepted from this requirement and may be submitted one year prior to the certification date. Any other exception to this policy must have prior approval of HQ R/W.
- D. The appraisal shall include a general description of the items, e.g., track and signals, which are proposed to be covered by a future construction and maintenance agreement or service contract.
- E. The appraisal will include copies of the permanent and temporary easement deed language for property rights being appraised. If it is a Permanent Easement, the Appraiser will use the most recent version of the RW 6-1(Z) Deed form.
- F. In all cases, the appraisal will include a clear statement describing the property rights held by the railroad in the property being acquired.

Railroad Property Terms:

Railroad Right of Way: Title, in fee and/or easement, or by adverse possession, to a strip of land between two points, all or a portion of which land is used for railroad purposes that include freight and/or passenger service.

Transportation Corridor: A corridor which includes existing operating and nonoperating railroad property with reasonably probable future transportation uses, including railroad tracks, excess width, utility lines, pipelines, fiber-optic lines, etc. These uses must not be speculative. See Section A.1.d. below.

Operating Railroad Property: The property necessary for operation of rail service over the railroad right of way. The area covered by the nonabandoned tracks plus the minimum additional clearance width as set by the Public Utilities Commission (PUC) and/or the safety standards set by the railroad. It may include switching yards, station sites and their parking lots, and crossing gates and associated equipment. All operating railroad property is located within a transportation corridor.

Nonoperating Railroad Property: Anything other than operating railroad property; i.e., property which is not required to operate rail service on a right of way. This may include unused right of way where track has been removed, area required for flood protection, grading, land leased to others, administrative properties, etc. It is important to note that railroad property converted to hiking or biking trails might not change the “transportation corridor” status.

Abandoned Railroad Right of Way: A right of way for which a termination of rail services has been approved by the Surface Transportation Board, and all further requirements have been fulfilled.

7.13.60.01 Valuation of Railroad Properties

Takings from railroads may involve complex legal and appraisal problems in determining fair market value for all or a part of the transportation corridor being acquired. Whenever it becomes apparent that unusual problems exist or there is a problem with defining whether the property is located inside or outside of the transportation corridor, the Region/District should confer with the Region/District Railroad Agent, or if necessary, HQ R/W. In most cases, the following guidelines may be used:

A. Appraisals of Railroad-Owned Lands

1. Land within the transportation corridor:

- a. Where the State proposes replacement of the required land or facility, the part taken will be assigned a nominal value. A description of the replacement land will be included in “Remarks” and delineated on the Appraisal Maps.

When the State is replacing the transportation corridor needed for the project with a transportation corridor that is not as wide as the existing transportation corridor, generally, only the portion replaced will be assigned a nominal value. For example, assume the existing transportation corridor is 80 feet wide and the State is proposing to convey a 60-foot wide transportation corridor to the railroad company as the replacement transportation corridor. Under this circumstance, the appraisal will show 60 feet of the existing transportation corridor at nominal (because it is being replaced). The remaining width, 20 feet in this example, will then be handled in one of two ways:

- 1) If the additional width of the existing transportation corridor is required only because of uneven topography (slopes, etc.), it will also be valued at nominal.
- 2) Otherwise, the additional width will be appraised at market value.

The appraisal report will show as follows (on Form RW 7-9):

Total area taken - 80 x 500 feet =	<u>40,000 sq ft</u>
Area being replaced - 60 x 500 feet (30,000 sq ft) =	nominal
Area not being replaced - 20 x 500 feet (10,000 sq ft) @ \$5.00/sq ft (market value) =	\$50,000
Est. Total Value =	<u>\$50,000</u>

However, if the existing transportation corridor is 80 feet wide because of an adverse terrain condition (cut or fill) and the replacement transportation corridor is on level ground thus only requiring 60 feet of transportation corridor to replace the utility of the existing transportation corridor, then the total area being acquired of 40,000 sq ft will be assigned a nominal value.

If the railroad company requests that the State acquire and convey a replacement transportation corridor which is wider than their existing transportation corridor to be acquired by the State for the project, then the appraisal will show the extra width at market value to be paid for by the railroad company in the exchange transaction.

The appraisal report will show as follows (on Form RW 7-9):

Total area to be acquired - 60 x 500 feet =	30,000 sq ft
Replacement transportation corridor - 80 x 500 feet =	<u>40,000 sq ft</u>
Transportation corridor take - 60 x 500 feet (30,000 sq ft) @ nominal	nominal
Replacement area in excess of take - 20 x 500 feet (10,000 sq ft) @ \$5.00/sq ft (market value) =	\$50,000
Total amount to be paid to the State by railroad company	<u>\$50,000</u>

However, if the replacement railroad transportation corridor is 80 feet wide because of adverse terrain condition (cut or fill) and the replacement transportation corridor merely replaces the functional utility of the existing transportation corridor, then the appraisal will show nominal value for an even exchange.

Width with utility will be the criterion. Length and area alone will not.

If the total area of the replacement transportation corridor is different from the total area of the existing transportation corridor to be acquired for the project merely because of the different lengths of the two transportation corridors, the appraisal will be nominal value as stated in the first paragraph of this Section.

- b. Where the State does not propose replacement of the required land, the State's requirement shall be identified as either a transverse crossing or a longitudinal taking.

"Transverse Crossing" means any portion of a public road project physically crossing a transportation corridor from one side of the transportation corridor to the other regardless of the angle of the crossing.

“Longitudinal taking or acquisition” means any taking of any portion of a transportation corridor other than a transverse crossing. However, a transverse crossing may also physically share a portion of the area within a longitudinal taking.

Where the State does not propose replacement of the required land, the longitudinal takings will be appraised at fair market value. An example of this type of taking occurs when the State is acquiring a longitudinal strip of existing transportation corridor and the railroad company is able and willing to continue its operations without any replacement transportation corridor; e.g., the existing transportation corridor is 80 feet wide and the State needs a 20-foot strip for the project and replacement transportation corridor is not required.

- c. Where portions of the transportation corridor property may reasonably be converted to nontransportation uses by minor adjustments of facilities without affecting the reasonably probable transportation uses, the longitudinal taking will be appraised at market value, reflecting the costs of conversion.
- d. Transverse crossings require special consideration by the appraiser. Existing California law establishes certain principles regarding the valuation of transverse crossings. The leading case in California establishing those principles is *City of Oakland v. Schenck* (1925) 197 Cal. 456. The main principle is that the public has the right to construct crossings necessitated by a public road project for a nominal consideration when the crossing does not interfere with the railroads’ use. Subsequent cases have expanded the “rail use” to a “transportation use.” This is why the transportation corridor is defined above. Information about railroad operations and uses should be obtained through the Region/District Railroad Agent.

The transportation corridor may contain operating right of way, nonoperating right of way, excess land, communication corridor, pipeline corridor, Outdoor Advertising Structures, etc. The following are factors to consider in defining the transportation corridor and should be included when testing for uses which are physically possible, legally permissible, financially feasible, and maximally productive.

1. Determine the area that is subject to PUC and Federal Surface Transportation Board (STB) regulation. Determine what restrictions, if any, the PUC and the STB place on railroad operations within the area subject to PUC and STB jurisdiction. This information should be obtained through the Region/District Railroad Agent.
2. Determine what interest the railroad has in the land, i.e., fee or easement. Determine what deed restrictions have been placed on the railroad’s use of that area.
3. Determine whether the railroad has any documented plan for the use and/or development of its property. This information should be obtained through the Region/District Railroad Agent.
4. Railroad properties are not zoned by the Cities and Counties even though county zoning maps might show railroad properties zoned similar to adjacent parcels. This is due to the fact the counties have no authority of use over railroad properties. Railroad properties are under federal government jurisdiction acting through the Surface Transportation Board (STB) and are not accountable to county regulations.
5. Determine which uses are considered to be for legitimate railroad purposes. Some uses may be precluded by existing physical limitations, such as steep terrain. Legitimate railroad uses may include air or subsurface space, which may be reasonably usable for valuable nontransportation uses or for other transportation uses, and these uses are reasonably probable.

The appraiser must also be familiar with the construction in the manner proposed to determine the impact on the existing and potential uses. The physical impact of construction should be analyzed as to its effect on the reasonable and probable transportation uses. Construction details, such as footings and pillars, shall not be valued separately, but shall be included in the analysis of the overall impact of the State's requirement.

The valuation of permanent easements for transverse crossings is similar to other easement valuations. The value of the easement is the difference in the parcels value from the unencumbered condition and the encumbered condition (Right of Way Manual Section 07.04.10.00 on Permanent Easements). The appraiser must ask the following questions: 1) Does the exercise of the rights being acquired unduly interfere with the railroad's existing use of its transportation corridor for legitimate railroad and other existing transportation purposes? The appraiser must also determine whether the transverse crossing will interfere with a reasonably probable future transportation use. If it does not and there is no loss of use, utility or capacity in the after condition, the holding in *City of Oakland v. Schenck* (1925) 197 Cal. 456 applies, and the value is nominal. If the State's project does interfere with any one of the above uses, then two additional questions must be answered: 2) What are the reasonably probable uses that are impacted; and, 3) What is the market value of those impacts as measured by the loss in utility and desirability of the transportation corridor? When the State's transverse crossing interferes with any one of the above-listed uses, the impact will be reflected in the valuation. With respect to transverse crossings, after making the above-listed determinations, including the width of the corridor and the permitted uses, the transverse crossing will be valued by the loss in utility and desirability before and after the imposition of the encumbrance.

Each transverse crossing must be evaluated as described in the preceding paragraph. Merely including the Manual reference or the simple citation of California Case Law in the written appraisal is not sufficient documentation of the valuation. Based on the appraiser's thorough analysis when the value of the transverse crossing is nominal, the loss can be expressed as "nominal" in the equation instead of as a percentage.

Temporary Construction Easements (TCE's): In the valuation of TCE's, the appraiser must consider whether the easement is an exclusive or nonexclusive (shared use) easement (please refer to Right of Way Manual Section 07.04.09.00 on Temporary Easements). If the temporary easement is nonexclusive, the appraiser must determine the resulting loss of use the railroad has incurred during the easement term. That percentage of loss will be multiplied by the fee unit value, the rate of return to vacant land, and easement's term. It is important to note that the *Schenck* ruling can be interpreted to include Transverse TCE's if the appraiser's findings are consistent with the 'combined use' and nominal loss holding of the ruling.

A "Summary for the Basis of Just Compensation" is required to be included at the end of all appraisal reports. Appraisal reports for railroads are no exception. Where the easement values are determined to be nominal, a statement similar to the following paragraph shall be included in the appraisal to summarize the analysis:

"The appraiser has ascertained that the Highest and Best Use of the subject property is as a transportation corridor including all legitimate railroad and other transportation purposes. The required transverse crossing will not diminish the market value of the railroads' property or unduly interfere with the railroads' use for legitimate transportation purposes, as ascertained by analysis of the before and after conditions. Therefore, the compensation is nominal, consistent with California state law."

- e. Longitudinal takings that cross existing structural transverse easements will be appraised at market value if the existing transverse easement was obtained at nominal value. The effect on land uses or values because of the existing highway-railroad grade separation structure, within the new longitudinal easement area, will not be considered in estimating the market value of the longitudinal taking. The reasoning behind this premise is that if the original transverse crossing easement was obtained at nominal value and provided no benefit to the railroad, the new longitudinal taking should be paid for by the State.

2. Land outside of the transportation corridor:

Land considered to be outside of the railroad's present or future transportation corridor will be appraised at market value. Where the property is not capable of independent use or development, the appraiser should consider any potential additional use or utility of the property as assembled to the adjacent properties.

B. Appraisals of Railroad-Owned Improvements

- 1. Railroad improvements (other than trackage) being acquired without replacements or relocation and lessee-owned improvements on railroad properties will be valued using normal appraisal methods, with depreciation and salvage value given full recognition.
- 2. Railroad improvements, including trackage, which are to be relocated or replaced under the terms of a construction and maintenance agreement will be clearly described and assigned a zero value.

7.13.70.00 Governmental, Indian, Functionally Replaced Publicly Owned Facilities, and State Land

- A. Federal public lands, including national forests, will be appraised at zero land value, unless the Region/District believes land value may become an issue during acquisition. In this event, the land is to be appraised and shown at market value.
- B. Federal military reservations and Federal reservoirs, canals, and flood control channels will normally be appraised at zero land value unless the Region/District believes value may become an issue during acquisition. In this event, the land is to be appraised and shown at market value.
- C. Federal General Services Administration properties will usually be appraised at market value. There may be circumstances where the property will be conveyed at zero value if the use as a highway is compatible and a benefit to the Federal facility.
- D. State School Lands will be appraised at market value.

- E. Proposed acquisitions of public parks will be appraised at replacement cost. Per the Public Park Preservation Act of 1971, the acquiring entity pays sufficient compensation, or land, or both, to enable the operating entity to replace the park land and the facilities thereon. Ballantine's Law Dictionary defines "park" as a "tract of land acquired by a city, town, or other public authority, for ornament, and as a place for the resort of the public for recreation and amusement."

The substitute land should be of comparable characteristics and of substantially equal size, located in an area that would allow for use by generally the same persons who used the existing park land and facilities. The cost will include the land and the cost of development into park land, including placing of substitute facilities thereon. See Sections 5400 through 5409 of the California Public Resources Code.

- F. Indian tribal and allotted lands will normally be conveyed as easement title only and will therefore be appraised at market value less one dollar.
- G. All other federal, state, county, special district, school district, and city lands will be appraised at market value except:
 - 1. If State will purchase the replacement property and functional replacement of improvements is proposed, and the owning agency has waived its right to have an estimate of compensation for the acquisition parcel established by the appraisal process in preference to functional replacement, the subject acquisition parcel will be valued at zero value. It will be necessary that there be compliance with all provisions of 23 CFR 710.509, et seq. (See Acquisition Chapter 8 and Exhibit 8-EX-34.)

The parcel numbers of the replacement land will be noted if available and the valuation basis discussed. The market value of the subject land will be included for information in "Remarks."

It will always be necessary for the Appraisal Branch to supply cost-estimate data for the acquisition property. These data are for inclusion in the submittal to FHWA seeking their concurrence in functional replacement. This will normally occur during the project-development stage of a project.

- 2. If acquisition of replacement property by the governmental agencies is proposed, the value of the minimum requirements of the proposed replacement property may be used as land value of the subject. The basis of valuation and description of the replacement property will be fully documented in the appraisal. The market value of the subject land will be included for information in "Remarks."

These instructions do not preclude donation, dedication, consent to joint use, or transfer of possession and control, without consideration, from any public agency to the Department for highway purposes.

City streets and county roads closed by freeway agreement will not be valued except as to the underlying fee for adjacent properties, if separate valuation of the underlying fee is necessary. Normally, the underlying fee is valued at \$1 because the public has full control over the surface use and the only rights the underlying fee owner has is one of a reversion. See Section 83 of the S&H Code.