

***NJ CDBG-DISASTER RECOVERY PROGRAM  
(HURRICANE IRENE)***

***HANDBOOK***

***ACQUISITION OF REAL PROPERTY***

# **CDBG-Disaster Recovery Program Handbook**

## **Acquisition of Real Property**

---

### Contents

<a href="#">Acquisition of Real Property</a>	1.
<a href="#">Criteria for Appraisals</a>	2.
<a href="#">Review of Appraisals</a>	2.
<a href="#">Acquisition Monitoring Checklist</a>	3.

## **Acquisition Of Real Property**

Acquisition of real property in connection with community development activities will meet applicable laws and regulations set forth in 24 CFR Part 570.602, Relocation and Acquisition, and 24 CFR Part 42. The applicable laws and regulations were put in place to insure fairness throughout the acquisition process with respect to both property owner and government agency.

The following page is a copy of the federal rules and regulations regarding criteria for appraisals and the review of appraisals. In summary, to arrive at a fair compensation figure for real property to be acquired, the property must be appraised by a qualified appraiser and the owner of the property must be given the opportunity to accompany the appraiser. In the event the fair market value of the property exceeds \$2,000 the appraisal must be reviewed by a qualified staff or independent review appraiser. When the property exceeds \$25,000 in value, HUD encourages at least two independent appraisals at the initial level, followed by the review process.

With respect to qualifications of appraisers, the Federal regulations in 24 CFR 42.107 indicate that the government agency should establish criteria for determining the minimum qualifications of appraisers and the qualifications should be consistent with the level of difficulty of the appraisal assignment. Federal regulations also indicate that acquiring agencies should obtain signed statements from appraisers setting forth their qualifications and, after review, employ only those appraisers deemed qualified [42.107(a)].

Additionally, the Federal regulations in 42.107 (b) (c) and (d) establish general standards for appraisals, require supporting documentation, and forbid the use of appraisers who may have any interest in the property to be appraised or who would in any way have an interest that would conflict with the performance of the appraisal.

## 42.107 Criteria for appraisals

- (a) *Qualifications for appraisers.* The State agency shall establish criteria for determining the minimum qualifications of appraisers. Appraisal qualifications shall be consistent with the level of difficulty of the appraisal assignment. The State agency shall obtain a signed statement by each appraiser setting forth his appraisal qualifications, and it shall review the experience and education and other qualifications of appraisers and identify and employ only qualified appraisers to perform the appraisals.
- (b) *Appraisal standards.* The State agency's appraisals of fair market value shall be based upon nationally recognized appraisal standards and techniques to the extent that such principles are consistent with the concepts of value and the rules on the admissibility of evidence of value under the eminent domain law of the State factors relating to race, color, religion, sex or national origin, or to racial, religious and ethnic identification of neighborhoods are not relevant to the estimation of value and shall not be considered in connection with appraisals of residential real property.
- (c) *Documentation.* Appraisal reports must contain sufficient documentation, including supporting valuation data and the appraiser's analyses of that data, to demonstrate the correctness of the appraiser's opinion(s) of value.
- (d) *Conflict of interest.* No appraiser shall have any interest, direct or indirect, in the real property which he appraises for the State agency that would in any way conflict with his performance of the appraisal. No appraiser shall act as a negotiator for the State agency or the owner in the acquisition of real property which he has appraised in connection with the project, except that a review appraiser on the staff of the State agency is not precluded from acting as a negotiator for the State agency. Compensation for an appraisal shall not be based on the amount of the valuation.

## 42.109 Review of appraisals

- (a) *Evaluation of appraisals.* If the appraised fair market value of the real property to be acquired exceeds \$2,000, the appraisal(s) of the property shall be reviewed by a qualified staff appraiser or independent fee appraiser. The reviewer shall determine the adequacy of the appraiser's supporting data and documentation, the soundness of the appraiser's reasoning and whether the appraisal conforms with recognized appraisal practices. In particular, the reviewer shall determine the correctness of the appraiser's opinion of the fair market value of the property. To the extent appropriate, the reviewer shall require the appraiser to make necessary corrections in his appraisal report. After any necessary corrections are made, the reviewer shall determine the acceptability of the appraisal report.
- (b) *Review appraiser's report.* If the review appraiser finds the appraisal report(s) to be acceptable, he shall set forth in a written report his recommendation as to the fair market value of the property. The reviewer's report shall identify the appraisal report(s) reviewed and explain the basis for his recommendation.

## CDBG-Disaster Recovery Program Acquisition Checklist

**Grantee:** «Grantee»  
**Agreement #:** «Agreement»

**Date:** «Date»  
**Program Representative:** «ProgramRep»

	<u>Yes</u>	<u>No</u>
<b>1. <u>Preliminary Acquisition Notice</u></b>		
A. Is a copy of the notice in the file?	_____	_____
B. Is there evidence of receipt?	_____	_____
<b>2. <u>Appraisal</u></b>		
A. Is a copy of the appraisal in the file?	_____	_____
B. Was a qualified independent appraiser used?	_____	_____
C. Is there evidence that the owner was invited to accompany the appraiser?	_____	_____
<b>3. <u>Written Purchase Offer</u></b>		
A. Is a copy of the purchase offer in the file?	_____	_____
B. Was the offer issued promptly after the appraisal?	_____	_____
C. Is a statement of the basis for determining the purchase price included with the offer?	_____	_____
<b>4. <u>Purchase And Payment</u></b>		
A. Is a copy of all required purchase documentation included in the file? (deed, title evidence, etc.)	_____	_____
B. Is a statement of settlement costs included in the file?	_____	_____
C. Is proof of receipt of payment in the file?	_____	_____
D. Was payment timely?	_____	_____
E. Is proof of recording of the deed in the file?	_____	_____
F. If the property was donated, is there evidence that the donor was informed of his or her rights?	_____	_____
G. If the recipient determined not to purchase, is there a written notice of determination not to purchase in the file?	_____	_____

«Grantee»	«Agreement»	«Date»	Acquisition (Con't)	
			<u>Yes</u>	<u>No</u>
5.	<u>Rental Agreements</u>			
	A. If the recipient permitted an owner or tenant to occupy the real property acquired, was the rent charged equivalent to the fair market rental value of the property?		_____	_____
6.	<u>Appeals</u>			
	A. Is a copy of any appeal or payment for incidental expenses or certain litigation expenses in the file?		_____	_____
	B. Is there a record describing the decision made and the reasons for the decision?		_____	_____
<u>COMMENTS AND FINDINGS</u>				