

**STATEMENT OF THE BASIS FOR DETERMINATION
OF JUST COMPENSATION**

(Current Date)

(Inside Address)

SUBJECT: Statement of the Basis for Determination of Just Compensation
_____ HOME Program
_____, Tennessee.

Dear _____:

The following information is a summary of how the _____ established the amount of the offer, which is felt to be a fair and reasonable price for certain property you own in the _____ HOME Program Area, _____, Tennessee.

DESCRIPTION OF PROPERTY (Legal description or plat)

STREET ADDRESS (or other positive identification)

INTEREST TO BE ACQUIRED

LISTING OF FIXTURES, STRUCTURES, OR OTHER IMPROVEMENTS TO THE LAND TO BE ACQUIRED

OTHER ITEMS OF REALTY, OWNED BY OTHER PARTIES TO BE A PART OF THE ACQUISITION: (Item and Owner)

AMOUNT OF THE OFFER

\$ (numerical amount)

(Spelled out in CAPS)

We believe that our offer represents just compensation for your property. It is **not less than** the approved appraisal for the property. Any increase or decrease in the market value caused by this project for which your property is being acquired or the likelihood that it would be acquired, other than to physical wear and tear within your reasonable control, has been disregarded by our appraisers. Our offer does not take into account any relocation assistance or payments that you may be entitled to receive. We will pay all reasonable closing costs. Of course, expenses to provide us with good title are your responsibility. This includes such items as liens for taxes, materials and mechanics liens, and outstanding mortgages.

Our offer to you is based on Fair Market Value, defined as "the price the property will bring in a competitive market under conditions requisite to a fair sale resulting from negotiations between a buyer and a seller, each acting prudently and wisely, and without pressure or undue influence."

APPRAISAL PROCEDURES

The appraiser(s) which were hired to appraise your property used practices and techniques recognized by all professional appraisal societies and organizations. These techniques are:

1. **COST APPROACH TO VALUE:** The appraiser appraises the land as if vacant. To that value, he adds the depreciated cost of the improvements. The land value is determined by using recent vacant land sales. The depreciated building value is determined by calculating the cost **today** of reproducing the building new and deducting for all causes of depreciation.
2. **DIRECT SALES COMPARISON APPROACH:**The value of the property is estimated by comparing it with similar properties that have recently sold in the same or similar area. The appraiser makes adjustments to the sales price for differences between the sales and the subject property.
3. **INCOME APPROACH:**This approach depends on determining the market rent for the subject property and finding what similar property has sold for on the market. The sales price is then divided by the actual rent to determine a multiplier (the technical term is the Gross Rent Multiplier or GRM). The market rent of the subject is multiplied by the GRM. The result is the Value Indicated by the Income Approach.

NOTE:For non-residential and large multi-family properties, the income approach is more complicated and involves capitalization of net income. It is not discussed in detail since few such properties are being acquired.

CORRELATION AND FINAL VALUE STATEMENT

The appraiser then has as many as three indications of value if all three approaches are appropriate. At this point, the appraiser re-analyzes all the information and selects one amount that most nearly reflects the consensus of his/her data. This amount is not an average, but the conclusion based on this analysis. The appraiser then recommends this value to us as of a specific date.

Please realize that much of the language above is required by the Federal Regulations and Law, and as such, is sometimes confusing. If you have any questions, please feel free to contact us. We are located (LOCATION OF OFFICE). Our office hours are (OFFICE HOURS) and our telephone number is (OFFICE TELEPHONE NUMBER). (NAME OF PERSON TO CONTACT) is the person who could better answer any questions of a specific nature.

Sincerely,

(GRANTEE)