

## **1.0 Nature of the Engagement**

The Client have asked us to determine the most probable market price for 18.73 acres contained within Lot 1, an approximately 23.73-acre vacant site located adjacent to their facilities at <property location>. The difference of 5 acres represents a portion of the property devoted to marsh and natural habitat restoration that is situated in the north-central portion of the site. If practical, the Client would like to preserve the marsh.

In estimating the market value of the site, we have considered the entire land area of 23.73 acres, as well as the practicality of preserving approximately five acres for the existing marsh. The market value of the site is determined by its highest and best use. This is partly a function of market demand, land use restrictions and compatibility with surrounding uses, among other factors. Our role is to best determine the site's market value while providing the Client with recommendations concerning probable buyers. The latter, presented in Section 4.0 of this report, considers the most probable buyer profile in conjunction with highest and best use, the Client' mission and ultimately the compatibility of any future use of the site in proximity to the <adjacent land use>.

## **1.1 Definitions and Regulatory Compliance**

This analysis, while considered a real estate consulting and appraisal assignment, represents a *Complete Appraisal* in a *Restricted* reporting format, as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). Specifically, it conforms to USPAP 2000 guidelines, effective January 1, 2000, as published by the Appraisal Foundation for both real estate consulting and valuation assignments.

In a restricted reporting format, the report is intended for use only by the identified client and other stated users, meaning that the report and analysis could be potentially misleading to outside parties. The client has been informed of these limitations and is hereby identified as the Client, their congregation and consultants involved in evaluating their various facilities throughout the Midwest.

We have provided an estimate of the market value of the fee simple interest in the site. "Market Value" is defined in accordance with the directive of Banking Circular #225 and Paragraph 34.42 of the OCC final rule issued by the Comptroller of the Currency as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;

- Both parties are well informed or well advised, and acting in what they considered their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The fee simple interest is defined as follows, "A fee simple estate implies absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat".<sup>1</sup>

The effective date of value is: March 1, 2000. Great Lakes Realty Advisory Group, Inc. (GLRAG) conducted an inspection of the property on February 23, 2000.

After determining the highest and best use of the property, GLRAG considered the Sales Comparison Approach to value. This is the most applicable approach to value a vacant, non-income producing land site. While a development approach, or subdivision analysis could also be considered relevant, we did not feel this was necessary because there have been recent sales of similar, residentially-zoned vacant land sites in the Moosebreath Lake area. Furthermore, we were careful to select sales of sites purchased by both for-profit and non-profit users to support any price differential.

Consideration and adjustments were applied to the sales for differences in location, access to City of Moosebreath Lake water, storm and sanitary sewer services, development density, site size and overall utility. The sales data is summarized in the attached table. Our work paper files contain our analysis, including adjustment grids, detailed sale source and verification data and land use regulations. A legal description and survey of the property and subject site is presented in Appendix Exhibit A and a plan for the marsh is presented in Appendix Exhibit B.

This report is subject to the statement of Assumptions and Limiting Conditions outlined in Appendix Exhibit C. GLRAG also certifies that it does not have an interest in the property; this is presented in Appendix Exhibit D.

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<sup>1</sup> The Appraisal of Real Estate, Tenth Edition - Appraisal Institute 1992, page 122.

## **1.2 Description of the Site and Surroundings**

The site is presently owned by the Client and is relatively level and partially wooded. It is considered unimproved, although approximately 5.0 acres, in the north-central portion of the site, has been devoted to marsh and natural habitat restoration. The far southern portion of the site, fronting Baldwin Drive, is presently improved with a baseball diamond with partial perimeter fencing that is leased to neighboring Beardsley High School for a practice field.

The site represents one of the largest, contiguous tracts of vacant, residential-zoned acreage located entirely within the City of Moosebreath Lake. It is situated immediately west and north of the existing <adjacent land use>, educational facilities and <other land use>. The site is the last remaining lot of three originally platted lots belonging to the Client that was not developed with buildings or significant site improvements. The site and existing facilities are depicted on the Certified Survey Map (CSM No. xxxx) contained in Appendix Exhibit A; they are identified as Lot 1 and Lot 3, respectively. Lot 2 is no longer owned and was sold off in approximately 1983 to a hospital, which later resold it to private developers (developer's name). Developer X subsequently developed the property for medium-density, income-restricted family and senior housing approximately 5 or 6 years ago.

Presently the site is delineated by steel perimeter fencing, except along the boundaries with Lot 3. After walking the site on an unseasonably warm February morning, we noted that there are extensive white and scotch pine trees, and a mixture of spruce, cedar and poplar tree groves running east to west primarily along the northern (or back) half of the site. These trees, reaching 25-40 feet in height, are not as mature as the pine trees situated on Lot 3. These old growth pines may date back a century or more and reach another 15-25 feet in height.

The southern half of the site (from the northern boundary of Lot 3 south to Baldwin Drive) is largely open grassland and/or planted marsh grasses and plants. This portion of the site features low-lying areas that run east to west and may contain standing water during the Spring and/or during periods of heavy runoff (as was the case during our inspection).

Most local residents are aware that the neighborhood contains high ground water levels, interspersed with rocky soil conditions that make development more difficult and sometimes more costly. While soil samples have not been taken on the site, we are aware that wetland areas and a high ground water table forced the neighboring developer, Developer X, to scale down the height and soil load of their multifamily buildings situated immediately adjacent to the site on the far western portion of Lot 2.

These factors could potentially limit development within the relatively treeless, southern portion of the site, but may also restrict building density and/or increase construction costs in the rear (northern) half of the site. Before a sale or development of the site, we recommend that several soil borings and samples be taken to test for load capacity and compaction. Should the soils prove adequate for most building improvements, the cost for these analyses could be easily recovered, when selling the site, by alleviating potential buyer apprehension over this issue. Should the soils prove inadequate for most development without incurring costly site preparation, then the price of the site will likely be reduced by these estimated additional costs. Our value conclusions and analysis assume that the site is largely suitable for building

improvements, but that it will likely require grading and site preparation beyond “normal” costs.

The site is presently zoned R-2, Single Family Residential District, and is intended to provide for low density residential development at a minimum of 8,000 square feet per lot, or a maximum of about 70 homes for the entire site.

Municipal utility services are located along Baldwin Drive, or along the southern property boundary. These include an 8" sanitary sewer line that extends east of Union Street and west of Cherry Street, down the centerline of Baldwin Drive. There is also a 10" water main located in the centerline of Baldwin Drive. Lastly, a 20-foot-wide easement for a 42"- 48" storm sewer line extends from the School District property to the north (in the vicinity of the tennis courts) through the center of the site, dog legs to the west and exits the site at the far southwestern property boundary at Baldwin Drive.

Neighboring land uses include predominantly single-family and multifamily residential with educational uses (public and private high schools) to the south and north. The UW-Anywhere campus is located approximately four blocks east of the site. Commercial land uses are concentrated along Hazelnutbreath Street (U.S. Hwy. Z) and do not extend beyond the adjacent block to the west. We see little likelihood of the westward expansion of this commercial corridor, beyond its present boundaries, in the foreseeable future. Other land uses, such as industrial, office, high-density residential, etc., would not be compatible with surrounding land uses and could create local opposition.

We have examined the city Master Plan, Zoning Ordinance and investigated other uses for the site beyond its present zoning with municipal officials. Given current and likely future land uses in the immediate area, we feel residential or similar non-commercial land uses are appropriate for the site. Non-residential uses might include:

- Open space uses such as municipal park or cemetery;
- Set-aside land for educational use, such as a marsh or natural preserve;
- Expansion of the Moosebreath Lake Area Senior High School or nearby Beardsley High School;
- Institutional uses such as a hospital, community center, public nursing or acute care facility;
- A mixed-use development with a combination of mixed-density residential, open space or educational uses.

## **2.0 Highest and Best Use**

Highest and best use is defined as “the reasonably probable and legal use of vacant land or improved property, which is physically possible; appropriately supported, financially feasible, and that results in the highest value.”<sup>1</sup>

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<sup>1</sup> The Appraisal of Real Estate, Tenth Edition - Appraisal Institute 1992, page 45.

The current use of the site is for private (religious) use with portions set aside for habitat and native vegetation restoration, as well as for recreational use as a baseball practice field to neighboring Beardsley High School. These would likely be considered interim uses of the site by potential buyers in the market, especially for-profit residential developers. Whether these uses would be preserved, or discontinued in the interest of development, is dependent on the motivations of the buyer. This is discussed further in Section 4.0.

Part of our research involved an investigation of the site in relation to the Soil Survey for Portage County and federal flood plain maps delineating areas of flooding. Both sources indicated little flooding hazard for the site, but the existence of saturated soils ("Spotch" and "Meadland" soils) to a depth of 1-3 feet. The site may have physical development limitations due to high ground water and seasonal wetland areas. These may or may not be financially feasible to rectify and can only be properly determined through soil boring tests and analysis. Beyond this, the site boundaries are served by municipal sanitary, storm sewer and water service, as well as telephone, cable television and natural gas services.

Market demand is presently strong for single-family development, especially within the urban serviced area of Moosebreath Lake. The aforementioned soil and seasonal wetland conditions may limit development of portions of the southern part of the site and reduce the amount of usable acreage. These areas could be offered as an open space concession in exchange for increased residential development density within more suitable areas of the site. Thus, it is difficult to gauge any negative value impact of these conditions at this time beyond the general market perception that additional site balancing costs may be required.

Given the aforementioned, we feel the highest and best use of the site is for educational, institutional or residential development (predominantly low density) by the public or private sectors. This is demonstrated by the sales, presented in the attached table, which show little land pricing difference between not-for-profit users and for-profit users. Recognizing the potential for both types of buyer, we feel that either would meet the test for highest and best use and that there is little difference in land pricing to public, non-profit or private (for-profit) users.

### **3.0 Market Value Conclusions**

The following table provides details of recent sales of residentially zoned, vacant land in and around Moosebreath Lake over the past seven years. The sales range in size between about 10 acres up to nearly 125 acres in land area. These sales indicate that low density, residential zoned, vacant land with proximity to municipal water, storm and sanitary sewer (located within the Moosebreath Lake city limits or soon to be annexed) is priced at about \$0,000 to \$00,000 per acre for a 10-50 acre site.

On an "as is" basis, the site is similar to Sale No. 5 (6<sup>th</sup> Addition to the Parkwood Subdivision), which is located in the city along the east side of Taft Avenue, just north of County Hwy. PF. Sales No. 1 and 2 also occurred near this intersection, but at different times. In 1993, Sale No. 2 sold to the Moosebreath Lake School District for \$00,000 per acre without proximity to municipal utilities. Nearly five years later, Sale No. 1 sold for nearly \$00,000 per acre, but at that time municipal utilities were available. The difference in pricing reflects not only the presence of municipal utilities, but differences in size. Adjusting for these differences, as well as differences in zoning and suitability for development, the sales range in price per acre between \$0,000 and \$00,000. Considering all of these variables, we feel that the site has a current market value of \$00,000 per acre. Applying this rate against the entire 23.73 acres results in a value estimate of \$000,000, or \$000,000 rounded.

**Market Value of Total Site (23.73 ac.) - as of March 1, 2000:     \$000,000**

We have also considered the 5.0-acre marsh and the potential impact on market value if this portion of the site could be preserved. Its location within the site, north of the low-lying and seasonal wetland areas, further limits the development potential, usable area and marketability of the site if the present marsh area would be carved off of the total site.

We suggest, that if practically possible, the marsh be relocated within or adjacent to the low-lying portions of the site that may not be suitable (or cost effective) for development. In addition, ingress/egress would have to be provided adjacent to or through the relocated marsh to allow access from Baldwin Drive to the remainder of the site. Assuming this is practical and could allow for suitable native marsh and vegetation restoration within the same amount of land area, it is reasonable to assume that the remaining acreage (approx. 18.73 acres) could be priced at or slightly above \$00,000 per acre, say between \$00,000 and \$00,000 per acre. This also assumes that the remaining 18.73 acres would be fully usable (or buildable).

In other words, after relocating the 5-acre marsh to the southwest of its present location within the total site, sufficient access is provided to the rear of the site without compromising usability. If these parameters can be met, then the remaining acreage could be valued as follows: 18.73 x \$00,000 per acre = \$000,000, and 18.73 x \$00,000 per acre = \$000,000, rounded to \$000,000 - \$000,000.

**Market Value of Partial Site (18.73 ac.) - as of March 1, 2000: \$000,000 to \$000,000**

#### **4.0 Buyer Profile and Influence on Pricing**

In this section, we would investigate specific buyers or buyer profiles and their anticipated acquisition price depending on intended use of the site. We would accomplish this through interviews, supplemented by a review of the buyer motivation behind similar sales in the market.

This phase could be completed at a latter date at the request of the Client, should a decision be made to pursue a sale of the site.

## APPENDIX



# EXHIBIT A - SITE PLAN

EXHIBIT B - MARSH PLAN

## EXHIBIT C - LIMITING CONDITIONS

## EXHIBIT D - QUALIFICATIONS