

APPRAISAL REVIEW

Property of
Martha S. Vernlund

Map 1, Block 9-1, Lot 1, 12, 15, 16 and 18
Stantack Road
Middletown, Connecticut
Five parcels of vacant land on Stantack Road, an unimproved road

AUTHORIZED BY:

Elizabeth Varhue, Assistant Director of Land Acquisition
State of Connecticut Department of Environmental Protection
79 Elm Street
Hartford, Connecticut 06106-5127

APPRAISAL REPORT PREPARED BY

Matthew Welinsky

VALUATION DATE OF APPRAISAL REPORT

September 27, 2001

DATE OF REVIEW

February 21, 2002

REVIEW PREPARED BY:

William H. Kisluk Associates
174 Old Mill Road
Middletown, CT 06457

FILE REFERENCE:

Stantack Rd., Middletown2

Real Estate Appraisal Review
State of Connecticut Department Of Environmental Protection
Land Acquisitions Division

Review Report Prepared for	Elizabeth Varhue, Assistant Director of Land Acquisition																		
Appraised Property Address	W/s Stantack Road, Middletown, CT																		
Appraiser	Matthew Welinsky																		
Appraisal Firm	Same																		
Appraisal Prepared for	Martha S. Vernlund																		
Appraisal Process	Complete																		
Appraisal Format	Form Summary																		
Property Type	Land																		
Land Area	Lot 1 - 28.6 acres Lot 12 - 6.5 acres Lot 15 - 6.2 acres Lot 16 - 8.9 acres Lot 18 - 8.6 acres																		
Improvements	None																		
Property Rights Appraised	Fee Simple																		
Date of Appraisal	September 27, 2001																		
Date of Value Opinion	October 22, 2001																		
Highest and Best Use	Development using quasi-city road standards and oversize building lots																		
Unit of Value Used	Price per acre																		
Sales Comparison Approach	<table border="0"> <tr> <td>Lot 1 - 28.6 acres</td> <td>\$85,000</td> <td>\$2,972/ac.</td> </tr> <tr> <td>Lot 12 - 6.5 acres</td> <td>\$22,750</td> <td>\$3,500/ac.</td> </tr> <tr> <td>Lot 15 - 6.2 acres</td> <td>\$27,900</td> <td>\$4,500/ac.</td> </tr> <tr> <td>Lot 16 - 8.9 acres</td> <td>\$31,150</td> <td>\$3,500/ac.</td> </tr> <tr> <td>Lot 18 - 8.6 acres</td> <td>\$32,250</td> <td>\$3,750/ac.</td> </tr> <tr> <td>Total 58.8 ac.</td> <td>\$199,050</td> <td>\$3,385/ac.</td> </tr> </table> Market Value to Single Purchaser: \$200,000 (note, reflects no discount for bulk sale)	Lot 1 - 28.6 acres	\$85,000	\$2,972/ac.	Lot 12 - 6.5 acres	\$22,750	\$3,500/ac.	Lot 15 - 6.2 acres	\$27,900	\$4,500/ac.	Lot 16 - 8.9 acres	\$31,150	\$3,500/ac.	Lot 18 - 8.6 acres	\$32,250	\$3,750/ac.	Total 58.8 ac.	\$199,050	\$3,385/ac.
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Total 58.8 ac.	\$199,050	\$3,385/ac.																	
Cost Approach	Not developed																		
Income Approach	Not developed																		
Market Value Conclusion	\$200,000																		
Unit Value	\$3,401 per acre																		

Reviewer: Firm/Appraiser:	William H. Kisluk Associates/William H. Kisluk
Date of Review	February 20, 2002
Purpose & Scope of Review	The purpose of this review is to evaluate the adequacy and appropriateness of the data in the report and to form an opinion pertaining to the relevance of the data, the propriety of any adjustments to the data, the appropriateness of the appraisal methods and techniques, and whether the analyses and conclusions in the report are reasonable. The appraisal under review is included into this review report by reference.
Function of Review	The function of this review is to provide the client with an independent opinion of the adequacy and reasonableness of the appraisal report for the State of Connecticut's Open Space Grant Program.

CT DEP APPRAISAL REVIEW (Stantack Road, Middletown2)

Type of Review	Yes	No	N/A
Desk Review	X		
Subject Inspection		X	
Comparable Inspection		X	
Data Verification		X	
Interviewed Appraiser		X	

Review Conclusions	Yes	No	N/A
Meets Minimum DEP Requirements	X		
Report is Accepted			
Report is Accepted Modified			
Report is Rejected	X		
Reviewer Conclusion:			

The appraisal’s highest and best use conclusion is that the subject property can be reasonably developed with eight residential building lots, with the prospective developer/buyer paying to pave Stantack Road along the frontage of the existing unconnected lots (see map). The specific assumption is made that the buyer will coordinate with all the other adjoining property owners as well as neighboring owners south to Footit Road, with each sharing in the road construction costs. This is fanciful speculation.

The appraisal further makes a secondary development method analysis to check the reasonableness of the Sales Comparison Approach. In this analysis, the appraiser considers it reasonable that a developer would sell prospective lots at an average of \$77,500 each, then make a deduction for only road construction costs of \$45,000 per lot (\$192/l.f.) and entrepreneurial profit of \$5,000 per lot, which results value estimate of \$27,500 per lot for eight prospective lots in bulk, or \$220,000, thereby supporting the Sales Comparison Approach estimate of \$200,000.

This conclusion is not supported by reasonable analysis. It is the reviewer’s opinion that no reasonable person would shoulder the risk of raw land purchase (\$200,000 per appraiser), plus \$360,000 in road construction costs to realize an entrepreneurial profit of only \$40,000 (eight lots times \$5,000 projected by the appraiser).

Further, the appraiser failed to recognize typical costs involved in developing and marketing land, which include broker’s commissions (\$4,650 per lot @ 6% of sales), conveyance taxes (\$473/lot), road construction bonding, legal fees for closings (\$250/lot), overhead and miscellaneous charges, interest to carry road construction costs (\$905/lot if \$400,000 borrowed at 9% for 6 months, plus \$5,000 appraisal & loan initiation). The foregoing enumerated costs would add a minimum of \$6,278 per lot. Adding these costs results in total profit and costs of \$56,278 per prospective lot.

As previously stated, the appraiser’s estimate of required entrepreneurial profit is inadequate. The reviewer has never encountered an appraisal in which subdivision profit was calculated as a percentage of road construction costs. Standard appraisal practice is to calculate profit as a percentage of gross sales, or for larger developments, a marked premium added to the discount rate. Given the small scale and type of development involved (assuming that all neighbors agreed to share road costs), a developer’s profit of 10% of gross sales would be minimally adequate, or \$7,750 per lot.

Given the adjusted costs and a reasonable reward/profit, total charges are \$59,028 per lot. The undiscounted net sale proceeds are \$18,472 per prospective lot, or \$147,776 (8 lots), say - \$150,000. *This is a best-case scenario that does not reflect any discounting for the time required to develop the road and sell lots. The corrected development method is well below the appraiser’s Sales Comparison conclusion of \$200,000. Conventional development of the subject property in the manner laid out in the appraisal is simply not justified.*

The above analysis accepts the appraiser’s assumption that all neighbors will join and coordinate road construction with costs shared on a pro-rata basis. The reviewer does not accept this as a reasonable

assumption, given that ownership along Stantack Road is divided among many individuals. The subject parcels share an inherent marketability problem associated with the difficulty and risks involved in coordinating future development.

Sales Comparison Approach.

The appraisal includes three sales.

Sale 1 is an elongated parcel on Stantack Road that contains 12 acres (per assessor) or 10 acres (per deed). The reviewer accepts the position of analyzing this property based on ten acres, given that a buyer would make the most conservative assumption in the face of uncertain facts. The unit price of \$1,450 per acre is adjusted upward 20% for time, 30% for conditions of sale. The appraiser does not quarrel with the conditions of sale adjustment given that the sale price reflects a deep (64%) discount from the asking price after being marketed for only one week. However, this type of adjustment is inherently subjective, making the sale less reliable than otherwise normally exposed properties.

The adjusted unit price is \$2,262 per acre, which indicates a net adjustment of +50%.

Sale 2 is a bank sale of a parcel of land apparently approved at sale for a ten-lot subdivision that will be accessed through an existing subdivision. This sale was adjusted upward 50% for conditions of sale. Additional adjustments were made for date of sale (15%), location (-25%), physical characteristics (-20%) and the fact that it was an approved subdivision (-30%). The gross adjustments reflect 145% of the sale price. The net adjustment is -28%, resulting in an adjusted price of \$4,615 per acre. *Sale 2 is simply not a good comparable and provides little guidance to the subject's market value.*

Sale 3 is a 65 acre parcel fronting Atkins Street that also has frontage on Stantack Road. This parcel sold in May of 2001 to the City of Middletown for \$350,000, or \$5,385 per acre of land. This parcel has some difficult soils (wetlands) and an awkward shape. However, it is greatly superior to the subject parcels in that it has 1,350' frontage on a paved city street. Downward adjustments of 25% are made for location and 10% for Physical Characteristics. The net adjustment is \$3,635 per acre.

Summary. Sale 2 is not considered an appropriate comparable. Excluding this sale from the analysis, Sales 1 and 3 are not adequate to make a reasonable market value conclusion. Given this together with the fact that the appraiser's concept of Highest and Best Use appears flawed, the market value conclusion of \$200,000 is not considered reasonably supported.

Appraisal Requirements	Yes	No	N/A
Purpose and scope of appraisal identified	X		
Function identified	X		
Special limiting conditions or extraordinary assumptions used	A		
Real property interests correctly identified	X		
Legal description included		X	
Legal description conforms to land area used in report			X
Three-year subject property history included	X		
Prior sales analyzed and discussed			X
Current listing, option, or pending contract for subject revealed and discussed?		X	
If information was unavailable, this is disclosed and explained in report			

A – The appraisal notes that Stantack Road is not a municipal street and that the City of Middletown is not obligated to improve or maintain it. The appraisal is made under the specific assumption that no environmental contamination is present. No indications of contamination were observed during the inspection.

Site Information <i>Land Area: Five parcels, 58.8 ac. Source: Tax Map</i>	Yes	No	N/A
Adequate description of area/neighborhood:	X		
Shape/Frontage Description Adequate	X		
Topography Description Adequate	X		
Soils identified	X		
Wetlands identified	X		
Utilities noted	X		
Zoning information adequate	X		
Relevant subdivision regulations identified and analyzed			X
Zoning regulations analyzed			
Easements or other encumbrances identified and analyzed			X

Highest and Best Use Conclusion: Residential development coordinated with neighboring property owners.	Yes	No	N/A
Appropriate Highest and Best Use Criteria applied to subject	X		
Adequate market analysis (supply/demand factors identified)	X		
Highest and Best Use Analysis is logical		X	
Highest and Best Use Conclusion is reasonable		X	

Comments: The assertion that neighbors will join together to pave Stantack Road to the Footit Road intersection is not considered credible. The Highest and Best Use conclusion is not accepted.

Valuation Methods	Yes	No	N/A
Valuation methods selected are appropriate		X	
Exclusion of valuation methods adequately explained			

Comments: The Sales Comparison Approach was used, which is appropriate. A form of Development Method analysis was made as a secondary check on the reasonableness of the Sales Comparison

Approach. As previously stated, this approach was not developed in a reasonable manner. The idea that all neighbors will join to construct a paved roadway is simply not credible. The reviewer does not consider residential development to be a reasonable likelihood for the subject parcels due to problems and costs associated with access.

Reconciliation and Final Value Estimate: \$200,000	Yes	No	N/A
Final value estimate consistent with the data presented		X	
Contains sufficient documentation to assess appraisers logic, reasoning, judgments and analysis		X	
Is conclusion reasonable based on the data presented			
Conforms to USPAP			
Estimated marketing period disclosed			
Estimated exposure period disclosed			

Comment: Reject Appraisal

ASSUMPTIONS AND LIMITING CONDITIONS

The purpose of this appraisal review report is to review the appropriateness of the conclusions and the reasonableness of the market value estimate determined within appraisal under review.

This review report is intended solely for the use of the client. Possession of this review does not carry with it the right of publication without the prior written consent and approval of the reviewer.

The reviewer is not required to give further consultation or court testimony concerning the property that is the subject of this review unless prior arrangements have been made.

This review report constitutes a limited assignment and should not be construed as an appraisal of the subject property.

Unless stated otherwise within the review report, the analyses, opinions and conclusions in this review are based solely on the data, analyses, and conclusions contained in the appraisal report under review; it is assumed that these data are representative of existing market data. No attempt has been made to obtain additional market data for this review.

All analyses, opinion and conclusions expressed by the reviewer are limited by the scope of the review process as described herein.

The reviewer has made no legal survey, nor commissioned one to be prepared; therefore, reference to a sketch, plat, diagram, or previous survey appearing in the report is only for the purpose of assisting the reader to visualize the property.

No responsibility is assumed for legal matters existing or pending, nor is opinion rendered as to title, which is assumed to be good.

Disclosure of the contents of this review is governed by the Bylaws and Regulations of the Appraisal Institute.

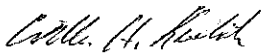
The compensation received for this assignment is in no manner contingent upon the estimate of value reported.

The reviewer is fully qualified commercial real estate appraiser who has been involved in the valuation of many similar properties. The reviewer's education and experience in appraising similar properties satisfies the competency provision of USPAP.

CERTIFICATE OF APPRAISAL

I certify that, to the best of my knowledge and belief:

- the facts and data reported by the reviewer and used in the review process are true and correct.
- the analyses, opinions and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have not bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
- my analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I did not personally inspect the subject property of the work under review.
- No one provided significant real or personal property appraisal or appraisal review assistance to the person signing this certification.



William H. Kisluk
Certified General Appraiser
CT License RCG 336