

REAL ESTATE APPRAISAL REVIEW

Gleason Pool & Park Property
Owned by the City of John Day
250 NW Canton Street
John Day, Oregon

APPRAISAL REPORT AUTHOR

Aaron Still, MAI
Aaron Still Appraisal

REVIEW PREPARED FOR

Tabitha Henricksen
Property Unit
Oregon Parks and Recreation Department

REVIEW APPRAISER

William E. Adams, MAI
Salem, Oregon

◆ **William E. Adams, MAI** ◆
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October 1, 2021

Tabitha Henricksen
Property Unit
Oregon Parks and Recreation Dept.
725 Summer Street NE, Suite C
Salem, OR 97301

RE: Real Estate Appraisal Review -- Gleason Pool & Park Property
250 NW Canton Street in John Day, Oregon

Dear Tabitha:

At your request, I have conducted a real estate appraisal review regarding the real estate appraisal prepared for the above-referenced property located along Canton Street in John Day, Oregon.

Please note that this appraisal review pertains to a revised appraisal report submitted by Aaron Still, MAI. The original report submitted by Mr. Still (dated September 11, 2021) contained some inconsistencies and errors that required correction as well as some items requiring additional clarification. The reviewer discussed these issues via a phone conversation with Mr. Still on September 30, 2021. Mr. Still submitted a revised appraisal report dated September 30, 2021 and this revised report conforms to the reviewed standards. **As there are two versions of this appraisal report (each with a different report date), please ensure that the appraisal report presented to the property owner and used for the report's intended use is the revised report dated September 30, 2021 as this is the report that is the subject of this appraisal review.**

The appraisal report under review was prepared by Aaron Still MAI for the Oregon Parks and Recreation Department (OPRD). The purpose of the appraisal assignment is to estimate the market value of the 3.01-acre property owned by the city of John Day and developed with the Gleason Pool & Park. The pool facility has not recently been in operation and discussions have occurred between OPRD and the City for the potential acquisition by OPRD in order to integrate the property with the State's adjacent Kam Wah Chung State Heritage Site. This appraisal under review estimates the as-is market value of the subject's fee simple estate as of the July 22, 2021 appraisal inspection date. The appraisal is cited as being prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). The intended use of this report is to assist the client with the potential acquisition of the property. The report cites the intended users to be the client (Oregon Parks and Recreation Department) and/or its assigns, which includes the city of John Day.

For this appraisal review assignment, the client is identified as the Oregon Parks and Recreation Department. The purpose of this review assignment is to perform a desk review of the appraisal report. The intended use of this review assignment is to provide the client with an independent assessment of the appraisal report under review. The intended user of this review assignment is solely the client (OPRD).

The scope of this review assignment involves reviewing the appraisal report to ascertain if it conforms to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP - 2020 edition); a review of the market data to ascertain their relevance and applicability to the valuation; and the development of an opinion as to whether or not the analysis and market value estimate(s) cited in the appraisal report are reasonable and supportable. Also, the appraisal was carefully reviewed for consistency and mathematical correctness.

Please note that this review assignment does not involve field inspections of the subject property or the market data, an independent market data search, verification of the comparables cited in the appraisal report, or interviews with property owners, real estate professionals, or representatives of municipal jurisdictions having authority over the subject property.

This review is intended to comply with USPAP Standard 3 in developing an appraisal review and Standard 4 in reporting an appraisal review.

APPRAISAL REPORT SUMMARY

Appraiser:	Aaron Still, MAI
Appraisal Report Date:	September 30, 2021
Valuation Date:	July 22, 2021
Report Format:	Conforms to Appraisal Report format under USPAP (2020 edition).
Interest Appraised:	Fee Simple Estate
Limitations:	Reasonable extraordinary assumptions are used with regard to the rezoning of the property if the property were marketed for sale by the City, and the lack of impact for development potential due to the property's partial presence within the 100-year flood plain. No hypothetical conditions are used for this assignment.
Parcel Size:	3.01 Acres (131,116 SF)
Zoning:	Currently PR (Public Reserve) but assumed RL (Residential Limited).
Improvements:	Community pool facility including pool, administrative building, lockers, equipment building, and supporting site improvements. Condition assessment prepared by the city of John Day recognizes that these building & site improvements have no remaining economic life if marketed for private use. There is significant deferred maintenance present.

Highest and Best Use:
As If Vacant: Under assumption of RL zoning, for partitioning parcel into three 1± acre parcels for single-family residential development.
As Improved: To demolish existing improvements in order to utilize underlying land to its highest and best use.

Valuation Method(s): Sales Comparison Approach (land only)

Value Estimate: \$97,000 (“As Is” Market Value)

APPRAISAL REVIEW FINDINGS

The appraisal report under review was prepared by Aaron Still, MAI utilizing appropriate appraisal methodology. The subject property is currently developed as a community pool facility & adjacent park with parking and supporting site improvements. Based on a condition assessment provided for the appraisal, the existing improvements have no remaining economic life. The subject’s land is valued using the Sales Comparison Approach recognizing its potential to be partitioned and recognizing the costs to obtain partition and remove the existing improvements. The Cost and Income Approaches are deemed inappropriate for the appraisal assignment.

The report’s content is prepared consistent with USPAP (2020 edition). The report includes various exhibits depicting the characteristics of the subject property, photographs of the property, a current zoning description, various cost estimates, the condition assessment, and the appraiser’s professional qualifications.

The property is situated within the rural Central Oregon community of John Day within Grant County. The property abuts a creek and is in proximity to residential and commercial uses. The report’s area and neighborhood descriptions present a good discussion of the subject’s market area and neighborhood. A discussion of market conditions affecting the local and regional residential market was also presented. The detail of discussion for the aforementioned area, neighborhood, and market is sufficient for the requested report format.

The subject property consists of one tax lot totaling 3.01 acres. The City and OPRD have been in talks for multiple years regarding OPRD’s wish to acquire this property in order to expand the adjacent Kam Wah Chung State Heritage Site. Given this intention, the City rezoned the property from its former RL (Residential Limited) zone to PR (Park Reserve). The PR zone does not provide an economic use of the property in the private market. For the purpose of estimating the property’s market value, the appraiser utilizes the appropriate extraordinary assumption that the property is zoned RL. As previously stated, a condition assessment prepared by the City and provided for this appraisal assignment indicates that the existing improvements suffer from significant deferred maintenance and have reached the end of their economic life. As such, a buyer of the property would need to demolish the existing improvements in order to utilize the underlying land. It is recognized however, the restroom structure (built in 2007) would be useful for OPRD’s intended use for expanding the adjacent State Heritage Site. As such, the appraiser estimated the depreciated replacement cost of the restroom structure for the client; however, this estimate is NOT representative of the restroom building’s contributory value for the private development of the subject property.

The property contains three access points along two roadways. Also, portions of the property in proximity to the creek are within the 100-year flood plain; however, the elevation is such that the majority of the impacted land could be built-up to be outside the flood plain. The majority of the subject property already lies outside the flood plain. After reviewing the subject's attributes, the appraiser concludes that the subject site could support being partitioned into three separate homesites measuring approximately one acre each, with two of the sites having a creek-frontage amenity.

Overall, the appraisal report provides a sufficient discussion of the subject's land and building attributes.

The highest and best use analysis presents a good discussion of the four highest and best use components and their applicability to the subject property. The subject's current use is not an economic use and the improvements have no contributory value for utilization by a non-government buyer or user. The current PR zoning is predicated on the existing municipal use of the property, but City officials indicate that if placed in private ownership, the RL (Residential Limited) zoning designation would be reinstated. The analysis concludes that the subject's highest and best use as if vacant is for partitioning the 3.01-acre parcel into three parcels of approximately 1-acre each for individual development of single-family dwellings (one per parcel). As improved, the highest and best use of the property is to demolish the existing municipal improvements and develop the underlying land to its highest and best use (3-lot partition). Overall, the highest & best use conclusions are reasonable based on the presented analysis.

The Sales Comparison Approach is used to estimate the subject's land value. As there are no improvements contributing value on the property, nor is low-density land typically rented in this market, the Cost and Income Approaches are not employed.

The appraiser searched for residential market data exceeding one acre that could be useful in the valuation of the entire 3.01-acre property. Such data could be used to value the entire property recognizing its potential for partitioning into multiple parcels suitable for residential development. However, even after expanding the data search, no suitable market data was uncovered.

An alternative valuation method (used by the appraiser) is to estimate the retail value of each of the three partitioned lots (assuming partitioning), then consider the time frame to market the lots and the anticipated costs to actually create the finished lots. Deductions are necessary for holding costs, demolition costs, city fees associated with partitioning, and recognizing that a buyer pursuing the resale of these parcels is entitled to entrepreneurial profit. After reviewing the market, the appraiser indicates that the most-likely buyer of the property is an individual wishing to develop one of the creek-frontage lots with a single-family dwelling and sell the other two lots to offset the costs to create the lots and the incurred holding costs.

The appraiser evaluated 16 sales of residential parcels located in John Day, Prairie City, and Canyon City that sold between October 2019 and August 2021. A regression analysis was performed of these sales analyzing the relationship of unit price (\$/SF) and parcel size. Of the 16 sales, five were given further consideration in order to estimate the retail value of each of the three partitioned parcels within the subject. This data-set specifically involved sales in John Day and Prairie City that sold between July 2020 and May 2021, ranged in parcel size from 17,424 to 37,899 SF, and generated unit prices between \$1.66 and

\$2.79/SF. Total purchase prices range from \$40,000 to \$63,000. The appraiser recognizes that these five sales are smaller than the subject, but size adjustments are made utilizing the regression analysis that provided a size adjustment appropriate for this data-set. After adjustment for multiple factors (including size), the adjusted price range is \$1.90 to \$2.09/SF. After final analysis, the retail value of the two lots with creek frontage is estimate to be \$88,000 each while the interior lot has an estimated retail value of \$79,000. The sum of these retail values is \$255,000.

The appraiser presents two analyses in order to estimate the subject's Market Value "as if vacant" and the Market Value "As Is". Each analysis calculates the appropriate deductions to be applied to the \$255,000 aggregate retail value of the 3 lots; however the demolition cost is applied to only the "As Is" valuation scenario. A review of the deductions reveals that they are reasonable. The demolition cost is based on costs obtained from local contractors. The entrepreneurial profit rate is higher for the "As Is" valuation given additional risks. Utilizing this method, the "As Is" Market Value of the subject property is estimated to be \$97,000. This analysis was performed properly and is reasonable & supportable.

The appraiser also estimated the depreciated replacement cost of the restroom building that was constructed in 2007. While this building does not contribute value to the property's highest and best use, it may be useful for OPRD's intended use of the property. As such, the appraiser prepared the depreciated replacement cost for information purposes only. The depreciated replacement cost estimate is \$44,682.

APPRAISAL REVIEW CONCLUSIONS

It is the reviewer's opinion that the methodology and analysis used to estimate the market value of the subject property are appropriate and reasonable. The appraiser properly utilized the available data set in order to reliably estimate the subject's value using the applicable method(s). The concluded value estimate is considered to be both reasonable and supportable. The report provides sufficient reasoning to exclude approaches not relevant to the subject's valuation. The appraisal report has been reviewed for compliance with Standards 1 and 2 of the 2020 edition of the Uniform Standards of Professional Appraisal Practice (USPAP).

Based upon a review of the appraisal report and the methodology used to estimate the subject's value, the appraisal report significantly conforms to the standards requirements of USPAP. Furthermore, there are no mathematical errors or inconsistencies found within the report. The reviewer notes an isolated error on Page 42 where one of the subject's partitioned parcel sizes is stated as 43,996 SF or 1.10 acres. The correct size is 1.01 acres. This is an isolated occurrence that is minor-in-nature, not misleading, not value-influencing, and does not precipitate another report revision.

It is reiterated that this review pertains to a revised appraisal report prepared by the appraiser and dated September 30, 2021. The reviewer's viewing of the prior appraisal report uncovered inconsistencies, errors, and items requiring clarification that were discussed with the appraiser (Aaron Still, MAI). The revised report corrected these issues. **Please ensure that the appraisal report presented to the property owner and used for the report's intended use is the revised report dated September 30, 2021 as this is the report that is the subject of this appraisal review.**

The reviewer recommends this appraisal report for the client's intended use.

The effective date of the review assignment is October 1, 2021. The reviewer's appraisal certification is attached to this review report. The appraisal review does not utilize any hypothetical conditions or extraordinary assumptions.

Best Regards,

A handwritten signature in green ink that reads "William E. Adams". The signature is written in a cursive style with a long, sweeping tail on the final letter.

William E. Adams, MAI

REVIEW APPRAISER'S CERTIFICATION

I do hereby certify that, except as otherwise noted in this appraisal review:

1. The statements of fact contained in this review report are true and correct.
2. The reported analyses, opinions and conclusions cited in this review report are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest with respect to the parties involved or the property that is the subject of this review assignment.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this review assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results. Future employment is not dependent upon reporting a specified value.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions, and conclusions are developed, and this report is prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and the Standards of Professional Practice; and the Appraisal Foundation's Uniform Standards of Professional Appraisal Practice ("USPAP").
8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
9. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.
10. As this review assignment involved a desk review, I did not conduct an inspection of the property that is the subject of this report.
11. No one other than the undersigned provided significant professional assistance in conducting this review assignment.
12. I have acquired through study and practice the necessary knowledge and experience to complete this review assignment competently.
13. I have not performed any appraisal or other service involving this property during the past three years.



William E. Adams, MAI
Review Appraiser
Oregon Certificate No. C000495
Expires 11/30/2022