

Appraisal in a Summary Report of

Glynn Archer Elementary School

**Located at 1300 White Street
Key West, Monroe County, Florida**

FKAC FILE # 10-106

Prepared for:

Mr. Fred Sims

**Executive Director of Facilities and Construction
Monroe County School District
241 Trumbo Road
Key West, Florida 33040**

Prepared (Report Date):

March 15, 2010

As of (Effective Date of Valuation):

February 22, 2010

Prepared by:

Michael H. Touchton

State-Certified General Real Estate Appraiser #RZ2763

Timothy C. Andersen, MAI, MSc

State-Certified General Real Estate Appraiser, #RZ998

Florida Keys Appraisal Company, Inc.

101425 Overseas Highway, No. 821

Key Largo, FL 33037

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March 15, 2010

Mr. Fred Sims
Executive Director of Facilities and Construction
Monroe County School District
241 Trumbo Road
Key West, FL 33040

Re.: Glynn Archer Elementary School
1300 White Street
Key West, Monroe County, Florida

FKAC File #10-106

Dear Mr. Sims,

As requested, attached is an Appraisal of the above referenced property presented in a Summary report format. The purpose of this appraisal is to form an opinion as to the market value of the Fee Simple estate of the above property. The intended use is to assist the Monroe County School District, the intended user and our client, with internal decision-making concerning the subject.

Please note that our final value opinion of \$9.3 million is subject to the hypothetical condition that there is no asbestos in the school buildings and that it does not need to be removed. Indeed, based on data your office provided to us in the form of an environmental study, there is asbestos in the school buildings and it will eventually need to be removed. However, we have made our final value opinion subject to this hypothetical condition in that we as appraisers are not qualified to determine the extent of the asbestos present nor the costs of its removal. Had we not used this hypothetical condition, our value opinion might have been different.

The subject of this appraisal is a school with four buildings situated on a parcel of land with over 132,000 square feet. A site of that size is one of the largest contiguous parcels of land on the island of Key West. We treat the implications of site size within the report. The improvements are dated in that the first buildings were constructed in the 1920s. The County Property Appraisers Office uses an effective year of construction of 1955. Nevertheless, the buildings and other improvements continue to contribute value to the underlying land, at least on an interim basis.

Since the improvements are a school, specifically an elementary school, they suffer from a *functional obsolescence* in that putting them to another use would require extensive retrofitting, the cost of which would likely exceed the value they would add to the subject (under a redevelopment or retrofit). However, given the lack of comparable sales, it was impossible to measure the dollar amount of this form of depreciation. As a result, in the cost approach, we have deducted a small amount, but this is to recognize its presence, not an attempt to measure its extent.



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Given the state of the economy, there is also an *external obsolescence* factor in the market. This does not affect the School Board directly in that it does not build schools for entrepreneurial purposes. However, this external obsolescence factor does impact the School Board since it affects the Board's ability to borrow money to construct new facilities, as well as the rate of interest at which the Board could borrow that money.

Given the different ages of the existing buildings on site, as well as the lack of records concerning their ages, it was not possible to calculate their actual ages. The County Property Appraisers Office uses an effective year of construction of 1955, which is what we used. As we set forth later in the report, we have used a 75-year total economic life for the subject. As this analysis shows, the subject's improvements are almost all depreciated. This conclusion formed part of our Highest and Best Use conclusion, as the report more fully explains.

Note the current HPS zoning permits a variety of land uses (were the school not there); however, among those land uses are specifically *no* residential land uses. The City's Planning department indicated that there has never been a residential land use allowed on the site, thus the subject has *no* (as in *zero*) ROGO entitlements. As a result, a residential land use was not part of our analyses.

In accordance with USPAP definitions, this appraisal¹ is communicated in a Summary format, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP). The report sets forth the identification of the subject property, the assumptions and limiting conditions, information regarding the subject and its surrounding area, as well as information on comparable sales, the results of the investigations and analyses, and the reasoning that led to our conclusions. Since this is a summary report, our work file data are included here by reference.

We personally visited and photographed the subject site/improvements, as well as performed all of the research, data verification, and analyses contained in the report. We also visited all of the comparable sales (either for this report, or for other reports we have done previously in Key West).

As a result of our investigation and analyses, we have formed the opinion that the Market Value, as defined herein, of the subject property, as legally described herein, as of February 22, 2010, and subject to the Hypothetical Condition as set forth elsewhere herein, was:

\$9,300,000

NINE MILLION THREE HUNDRED THOUSAND DOLLARS

¹ Per the 2006 changes in the USPAP and FIRREA guidelines, appraisals are no longer identified as "complete" or "limited" but are based upon the "scope of the work" agreed upon by the client and the appraiser. In valuing the subject, all applicable and relevant approaches to value are used. See Scope of Work section.



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Mr. Fred Sims
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Had the appraisers not used the hypothetical condition about asbestos, the value opinion might have been different. Please note that Mr. Andersen has electronically signed this letter, as well as the Certification, to expedite the timely delivery of this report.

Sincerely,

Michael H. Touchton
(Florida) State-Certified General
Real Estate Appraiser #RZ 2763

Timothy C. Andersen
Timothy C. Andersen, MAI, MSc.
(Florida) State-Certified General
Real Estate Appraiser RZ998

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Subject Photographs



Photograph 1 shows the subject's main building



Photograph 2 shows the front of the main building



Photograph 3 shows White Street at the subject, looking NW (Google Earth ®)



Additional photographs included in the addendum depict the subject and/or neighborhood street scenes at the time of the property visit.

Summary of Important Facts and Conclusions

Known As:	Glynn Archer Elementary School
Address:	1300 White Street, Key West, Monroe County, Florida
RE Number:	00040100-000000
Property Type:	Historic School Building and Land
Date of Value Estimate:	February 22, 2010
Defined Value:	Market Value "As-Is" (see Comments as to the <i>Hypothetical Condition</i> to which the value opinion is subject)
Property Rights Appraised:	Fee Simple Estate – see Property Rights Section
Site Data	
Site Size:	132,136 Sq. Feet (see comments herein)
Zoning:	HPS (see data in report)
Improvement Data:	
Improvements:	Elementary school buildings
Type(s):	Various construction systems
Year Built:	Various - See Improvements Summary
Highest and Best Use:	<i>As Vacant @</i> letting it remain vacant until such time as economic conditions make its development feasible <i>As Improved @</i> continued present use on an interim basis
Exposure Time/Marketing Period:	Estimated at 12 months or less assuming an offering price of \$9.3 million. At a price higher than this, it would be over 12 months.
Indicated Market Value Opinion, as of 2/22/2010:	\$9.3 million (subject to a <i>hypothetical condition</i> – see data elsewhere herein)
Cost Approach:	\$9.3 million
Sales Comparison Approach:	NA
Income Capitalization Approach:	NA

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Statement of Important Considerations

The subject consists of dated school buildings, etc. with zero ROGO entitlements in Key West. The site itself has 132,136 square feet (see Comments on this size elsewhere herein) making it one of the largest contiguous sites in Key West. In reality, the site's value is in the land and not in the buildings improving it. The reason for this is the quantity of asbestos in the buildings.

At the time of their construction, asbestos was a common building material. Contractors used it primarily for its high insulation factor-to-weight ratio, its low cost, its easy availability, as well as the fact that the bugs in Key West's hot, tropical climate did not eat it. However, asbestos fibers have been medically and scientifically linked to lung cancer, chronic obstructive pulmonary disease (COPD), mesothelioma, and asbestosis. These diseases are chronic, debilitating, deadly and incurable. Asbestos is no longer part of construction, especially construction of schools.

Further, when buildings with it are renovated, significantly repaired, retrofitted, or razed, the asbestos component(s) of the building must first be completely remediated before any of the other plans for the structure(s) can take place. This remediation process is both time consuming as well as expensive. One of the components of this expense is that the remediation must be carried out by contractor(s) specially trained and certified in asbestos removal. The asbestos must then be properly disposed. Merely dumping it in the county landfill is not proper disposition.

Our client is *well aware* of the asbestos situation at the subject. This knowledge is a function of the environmental analysis it has and which it shared with us. It is also aware that the asbestos remediation and removal will be expensive, but it does not have an estimate of those costs. As a result, the value opinion herein is subject to the *hypothetical condition that there were no asbestos in the subject to remediate*. Clearly this is not the case; however, we use this hypothetical condition for these reasons:

1. Our client does not have an estimate of the costs of remediation, and has chosen not to obtain one for use in this report;
2. We are not qualified to estimate those costs or the extent of the scope of remediation;
3. Past actions on the client's part have "sealed" the asbestos such that it is not currently a problem;
4. Such a condition is necessary to analyze the property and form a value opinion.

In addition to the asbestos problem(s), there are few sales in Key West of vacant land with zoning similar to that of the subject. Most of Key West has been built out for many years and no vacant land has been sold (nor is there any available) for similar development. Most new construction has been limited to redevelopment of already improved properties.

In appraising the school building, we found a market-based approach by studying the revitalization process of other historic CBDs in the state of Florida. Because similar institutional buildings do not typically generate income that would support the value of the underlying land, they have, in many cases, been renovated for use as upscale professional office or retail shops. Thus, the buildings represent vacant shells "as-is". Under this scenario, we have appraised the school by estimating the value of the underlying land via the sales comparison approach to value. We then estimated the current value of the buildings via the cost approach and then add this as contributory value to form a market value.

Certification of Value

In accordance with USPAP Standards Rule 2-3, effective January 1, 2010, the undersigned appraisers certify that except as otherwise noted in this report:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, unbiased professional analyses, opinions and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. **Our 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. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
8. We made a personal inspection of the subject on 2/22/2010.
9. No one provided significant real property appraisal assistance to the person(s) signing this appraisal certification.
10. The purpose of this report is to estimate the market value of the subject.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. This appraisal complies with Monroe County School District's Minimum Appraisal Standards and Guidelines.
13. As of the date of this report, both Michael H. Touchton and Timothy C. Andersen have completed the continuing education requirements of the State of Florida for a Certified General Appraiser. In addition, Mr. Andersen has completed the continuing education requirements for the Appraisal Institute.



Michael H. Touchton
State-Certified General
Real Estate Appraiser #RZ 2763



Timothy C. Andersen, MAI, MSc.
State-Certified General
Real Estate Appraiser #RZ998

Assumptions & Limiting Conditions

This appraisal report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed reliable, but no warranty is given for its accuracy.
5. All engineering studies are assumed correct. The survey, site plan and/or floor plans presented herein are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or non-apparent conditions of the property, subsoil, and/or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state and local environmental regulations and laws unless the lack of compliance is stated, described and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning/land use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the use of the land and/or improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. Unless otherwise stated in this report, we did not observe the existence of hazardous materials, which may or may not be present on the property. We have no knowledge of the existence of such materials on or in the property. However, we are not qualified to detect such substances. The presence of substances such as radon gas, asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The property has been appraised as though free and clear of any/all adverse conditions as outlined above. No specific evidence of contamination was brought to our attention. The existence of one or more of the above is not warranted against; thus, no responsibility for such matters is accepted. If there is doubt, an expert should be contacted.
12. Mineral rights are not considered in making this appraisal.
13. All mechanical components including, but not limited to, heating/cooling, electrical and plumbing equipment are assumed standard for buildings of similar type and use. Also, their respective conditions are considered commensurate with the condition of the overall building unless otherwise stated.
14. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey or analysis of the property to determine whether

or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since we have no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

15. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
16. Possession of this report, or a copy thereof, does not carry with it the right of publication.
17. We, by reason of this appraisal, are not required to give further consultation or testimony or in attendance in court with reference to the property in question unless arrangements have been previously made.
18. Neither all nor any part of the contents of this report (especially any conclusions as to value, our identity, or the firm with which we are connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without our prior written consent and approval.

Special, Extraordinary Assumptions & Hypothetical Conditions

19. **This appraisal references public maps, tax data, etc., and information provided by the owner as integral parts of this report. Furthermore, this report assumes all pertinent data supplied by others are accurate.**
20. **The Monroe County Board of Public Instruction provided us with an environmental study of the property, which we assume to be accurate and timely despite their date from 1988 and 1989. The confirmed presence of asbestos in the subject improvements notwithstanding, the final value opinion herein is *subject to the hypothetical condition that there was no asbestos contamination in the subject.***

Scope of Work

We personally visited the subject (site and improvements) on February 22, 2010 at approximately 4:30 in the afternoon, and then took the subject photos herewith. The subject's history and relevant data were obtained from Monroe County records and/or interviews with owners, buyers and property managers. The subject consists of four (4) school-type buildings, the construction date of at least one of which was 1923, located in Key West.

The Monroe County Board of Public Instruction provided us with a survey of the site. This survey shows not only site's boundaries, but the locations of the buildings on site. Data on the building's sizes come from the Monroe County Public Record, data from the survey, and field measurements.

Data were gathered on similar improved sales in Key West. The comparable data were verified via public records and/or at least one of the parties in the transaction (owners whenever possible). We also interviewed real estate brokers and others knowledgeable in the local market.

Once the data were researched and verified, we considered the protocols, strengths, and weaknesses of the three standard approaches to value. In this case the income approach was not applicable since a school is not an income producing entity. We used the analytics of the cost approach to estimate the depreciated value of the site's improvements. Finally we used the analytics of the Sales Comparison approach by which to form a value opinion to the site as if it were vacant and available to be put to its Highest and Best Use. Please note the details of what we did and did not do are within the individual approaches themselves.

Purpose of the Appraisal

The purpose of this appraisal is to form an opinion of the market value of the subject property in its "as-is" condition. Note that the final value opinion is *subject to the hypothetical condition that there was no asbestos in the buildings*. Indeed, there is asbestos present, but we make the final value opinion subject to this hypothetical condition for the reasons set forth earlier in the report. Note that the final value opinion of **\$9.3 million** also assumes an exposure time of 12 months or less (but this is not an extraordinary assumption)

Intended Use & User of the Appraisal

The intended use of the appraisal is to assist Monroe County School District, the sole intended user of this appraisal, as well as our client, with an internal decision-making tool concerning the subject.

Property Rights Appraised

The fee simple property rights are appraised herein as there are no long-term leases affecting the subject of which we are aware. The definition of fee simple is in the report's addendum

Date of Value Estimate

The market value is estimated as of February 22, 2010, which is the date of the property visit and the date we took the subject photos.

Use of Google Earth® Photos

Some of the photos herein are from Google Earth®. We have used these since:

1. Typically we are not able to take aerial photos;
2. Sometimes Google Earth's® photos are better than ours
3. Occasionally we have equipment malfunctions

Definition of Value

The Appraisal Institute provides the following definition and clarification of market value:

*The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.*²

The following definition of market value is used by agencies that regulate federally insured financial institutions:

Market Value means *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:*

- (1) Buyer and seller are typically motivated;*
- (2) Both parties are well informed or well advised, and acting in what they consider their best interests;*
- (3) A reasonable time is allowed for exposure in the open market;*
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- (5) 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.*³

(12 C.F.R. Part 34.42(g)); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)⁴

The above definitions are consistent with the definition of market value provided by the *Uniform Standards of Professional Appraisal Practice (USPAP)*. Both the Appraisal Institute and *USPAP* require a reasonable exposure time in the open market, discussed in the following section.

Note, again, that our opinion of market value is subject to the *hypothetical condition* that there was no asbestos in the subject.

² *The Dictionary of Real Estate Appraisal, 4th Edition*, Appraisal Institute.

³ *Ibid.*

⁴ *Ibid.*

Exposure Time / Marketing Period

Exposure time is an estimate of the time a property would have been marketed, prior to the effective date of the appraisal, to achieve a sale price commensurate with the indicated market value estimate. Conversely, the marketing period is the time it will take a property to sell subsequent to the appraisal. As there have not been any major changes in the subject market area, the exposure time and marketing period are estimated to be of similar lengths. Note: the exposure time estimate is a retrospective consideration (i.e., based on the subject's property rights being appraised and as of the effective date of the appraisal).

The residential market in Key West as well as all of the Keys has slowed considerable from the previous years. As well, demand for ROGO entitled lots (not an issue at the subject) has fallen off. The commercial sector has slowed despite Key West's tourism industry.

The residential property sales indicate exposure times ranging from 3 to 36 months, depending upon pricing. *(Those with the longest exposure times are those that are typically overpriced in the first place.)* Commercial listings and sales show an exposure time of up to two years. In other words, there exists a balance between exposure time/marketing periods and appropriate pricing. When the market first started to decline many sellers and agents maintained inflated perceptions of value which, effectively, caused an increase backlog of listings. Once the local market caught on and began to discount the prices, there was a tremendous oversupply of for sale properties, which still exists today. Under the current market scenario, we estimate a reasonable exposure time/marketing period for the subject at approximately 12 months. This assumes an offering price of \$9.3 million. At a price higher than this, the exposure time might be longer. At a lower price, it would likely be shorter.

Property Identification (Legal Data)

RE Number:	00040100-000000
Taxpayer of Record:	Board of Public Instruction of Monroe County
Type of Ownership:	Fee Simple Interest
Legal Description:	See the property cards in the addendum, here by reference

Property History

No sales of the property have occurred within the past three years nor is there any sales history for the subject. We are not aware of any current leases, contracts, listings or offers pertaining to the subject.

Florida Keys Area Summary

Monroe County and the Florida Keys lie at the southern tip of the Florida peninsula and is the southernmost county in the continental United States. The land composition consists of the Everglades at the northerly end of the county and the Florida Keys, which are a chain of Islands extending southwest from the mainland approximately 120 miles. The Keys are bounded by Miami-Dade County to the north, the Atlantic Ocean to the east and south, and the Gulf of Mexico and Florida Bay to the west. Monroe County contains a total of 1,144,791 acres of which 60,656 acres are included in planning areas with the remaining dedicated to conservation, parks and recreational areas. The tropical climate and living reefs of Monroe County are favorable to year round diving, fishing and numerous outdoor recreation activities. Tourism is the primary industry in the Keys and most permanent residents are retired or employed in tourist related activities.



Monroe County's economy increased through 2006, with the tourist industry being the primary source for revenues. The prior increase in tourism has leveled off and is expected to remain somewhat flat under the current national economic conditions.

Because the Florida Keys are an area of Critical State Concern, the County imposed a commercial building moratorium in 1996. Monroe County has since operated under strict building guidelines for both residential and commercial properties. New construction permits are issued quarterly on a point system based on the County's rate of growth ordinance (ROGO), which is intended to limit growth for the purposes of environmental protection and hurricane evacuation times. Because of the limitations on development, housing is at an all time premium and population growth has remained static.

The County lifted moratorium was lifted in July 2002 and its new land use code allows the development of new commercial space up to 2,500 square feet per site. However, strict building guidelines remain in effect and all permits are issued per ROGO and NROGO (non-residential rate of growth ordinance). Expansion and/or redevelopment of existing commercial properties as well as development of scarified or disturbed sites are favored over development of undisturbed or environmentally sensitive sites. The strict building codes and lengthy permitting times have virtually halted new development of any significant proportion in the commercial sector, which resulted in increased demand and rising values for already improved commercial properties through 2005.

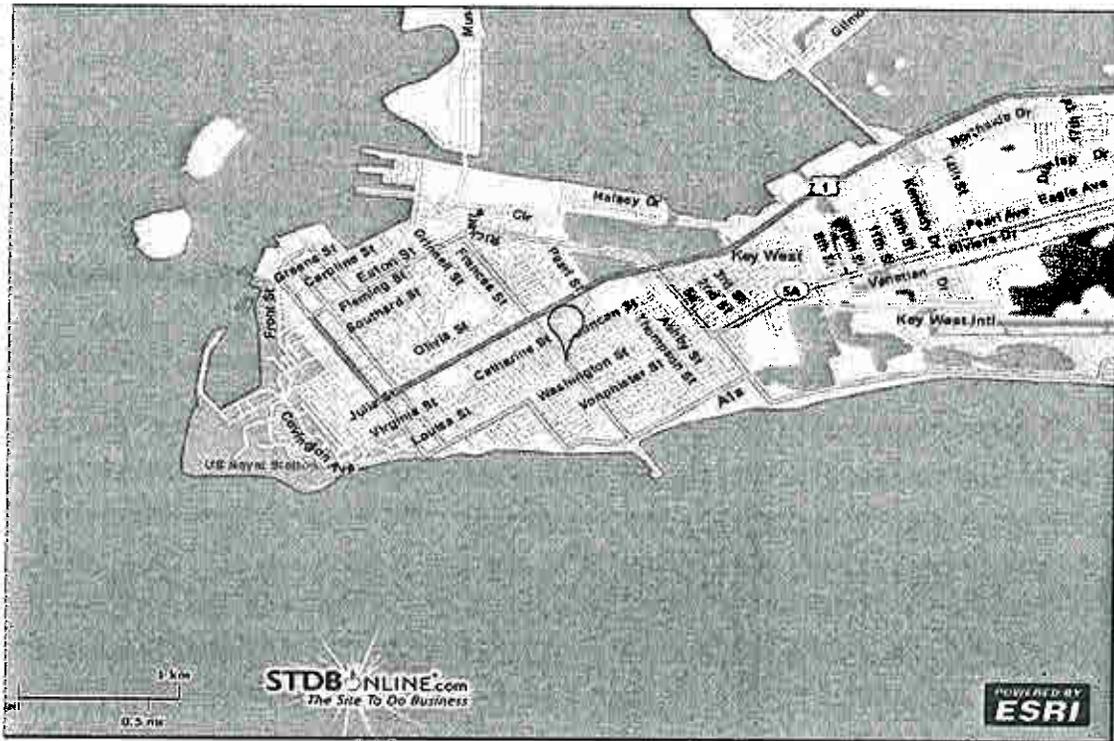
Because of the limitations on new development, many (outdated) improved properties have and are being purchased for the redevelopment potential associated with vested entitlements such as mixed-use, marinas, apartments, hotels/motels with transient and non-transient licenses, etc. In this respect, purchases for improved properties were more often fueled by the ROGO/NROGO exemptions, rather than the quality or use of the existing improvements. Thus, the primary motivation was the property's redevelopment potential, and not cash flow(s) generated from the existing improvements. As such, many improved properties have traded at overall capitalization rates below 5%, which is reflective of the anticipated change in use.

The Florida Keys experienced several hurricane evacuations since 2004. As recently as 2005, we witnessed two hurricanes (Katrina and Wilma) that wrought considerable wind and flood damage to several Keys' neighborhoods. As a result, flood and windstorm insurance premiums have increased dramatically. In response, many owners have placed their properties on the market. In 2005 and early 2006, many area real estate agents as well as the MLS statistics suggest a marked increase in properties offered for sale. With the current overall slowdown in the residential market "for sale" inventory remains high.

To date, sales of residential properties are showing reductions up to +30% off prior sale prices, more so in the non waterfront properties where short sales and foreclosure sales are weighting prices down. Given the increasing supply of sale inventory, as well as the uncertainty of future flood and windstorm insurance availability (from top-rated quality insurance companies), this is to be expected. It seems the appreciation rates enjoyed over the "boom" years have leveled off and it is likely that property appreciation for most residential property will remain flat or perhaps decline somewhat throughout much of 2010. Although the commercial sector, buoyed by strong tourism economy, performed reasonably well through 2007, it has experienced a significant drop off in sales volume. Consequently, the commercial sector has experienced significant price reductions through 2009 as well.

Subject Neighborhood

A neighborhood typically encompasses a portion of a city, a community or an entire town. It is usually considered to be an area that exhibits a fairly high degree of homogeneous uses, tenancy and certain other characteristics. A neighborhood is more or less an area with similar property types and uses with somewhat definite boundaries.



Location - The subject is located in the 1300 block of White Street, between United Street and Seminary Street, approximately 7 blocks northeast of Duval Street and one block south of Truman Avenue. Both Duval Street and Truman Avenue are primary traffic arteries in Key West. Duval Street is the primary tourist/commercial corridor in Key West. The White Street corridor on which the subject is located forms an informal boundary or transition from New/Mid Town to the Old Town District. The immediate neighborhood is known as "Mid Town". Which encompasses the central southern one quarter of the island city of Key West.

The photos herein show that White Street, United Street, and Seminary Street are all primarily *residentially* oriented. As a result of this orientation, the subject site is a prime location for a school. However, the general Key West area of Monroe County is not expected to grow significantly from a standpoint of the school-age population. Indeed, since it has become more of a tourist destination or "weekend get-away", more of its houses are *not* primary residences anymore. Given this demographic shift, and despite the property's traditional use, it is likely there will come a time in the not-too-distant future when the Highest and Best Use of this property will no longer be that of a school. Indeed, its Highest and Best Use as a school is likely an interim use only.

Population and Demographics - Key West's population has remained relatively stable over the past several years due to the built-out nature of the immediate area, tight regulations on new development in both Key West as well as all of Monroe County, and a demographic shift showing a population *decrease*. A 3-5-10 mile ring study by Easy Demographics based upon U.S. Census data indicates the population has actually *decreased* considerably since the year 2000.

	<u>1 Miles</u>	<u>3 Miles</u>	<u>5 Miles</u>
POPULATION BY YEAR			
Population (4/1/2000)	12,015	27,942	30,885
Population (1/1/2009)	10,045	24,997	27,834
Population (1/1/2014)	9,008	23,186	25,891
Percent Growth (2009/2000)	-16.40	-10.54	-9.88
Percent Forecast (2014/2009)	-10.32	-7.24	-6.98
HOUSEHOLDS BY YEAR			
Households (4/1/2000)	5,486	11,940	13,104
Households (1/1/2009)	4,652	10,790	11,936
Households (1/1/2014)	4,154	9,943	11,037
Percent Growth (2009/2000)	-15.2	-9.63	-8.91
Percent Forecast (2014/2009)	-10.71	-7.85	-7.53
CHARACTERISTICS			
Median Age	40.1	38.8	38.9
Male	6,604	15,366	16,922
Female	5,411	12,576	13,963
Density	4,660.60	2,712.40	2,699.40
GENERAL HOUSEHOLD CHARACTERISTICS			
Housing, Units	6,321	14,304	15,573
Housing, Owner Occupied	2,365	5,598	6,245
Housing, Renter Occupied	3,121	6,342	6,859
Median Value Owner Occupied (\$)	280,085	236,577	234,181
Median Rent (\$)	810	817	797
GENERAL INCOME CHARACTERISTICS			
Total Household Income (\$)	321,120,825	697,763,700	761,054,422
Median Household Income (\$)	41,466	44,117	43,431
Average Household Income (\$)	58,535	58,439	58,078
Per Capita Income (\$)	26,727	24,972	24,642

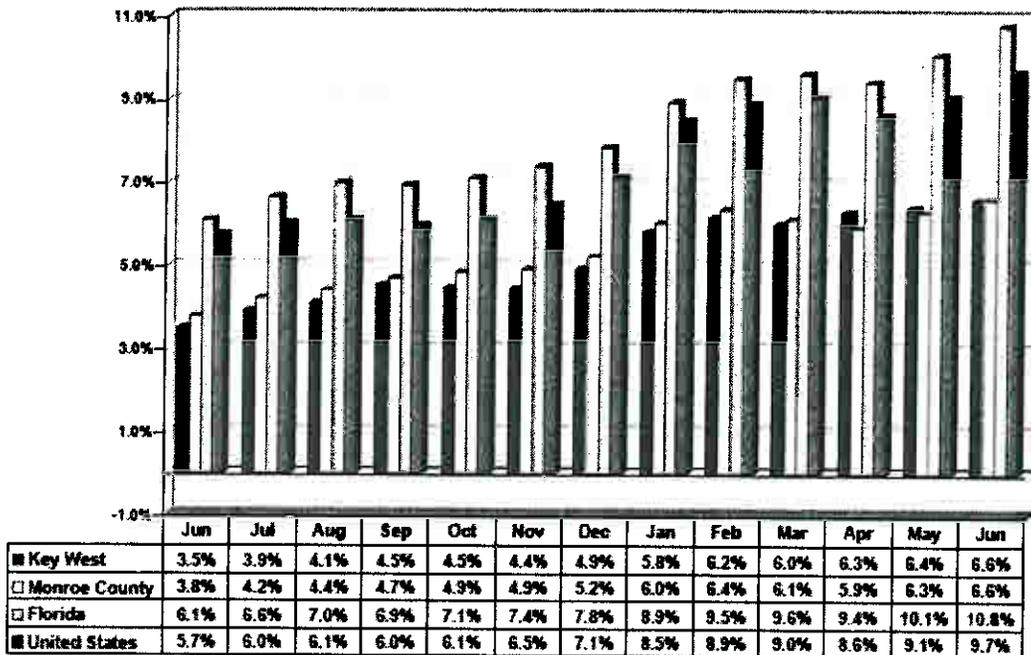
Footnotes:

*Easy Analytic Software Inc. (EASI) is the source of all updated estimates.
All other data are derived from the US Census and other official government sources.
All estimates are as of 4/1/2000 unless otherwise stated.*

Note: the preceding ring study encompasses the City of Key West, which is the county seat, i.e., its economic/population statistics are indicative of the overall local neighborhood, which includes Stock Island in the 5-mile ring. Noted is that the City of Key West (3-mile ring) has depopulated by 10.54% since 2000 and is forecast to decrease in population by another 7.24% by 2014. (See above comments as to the potential for the subject's Highest and Best Use to change.)

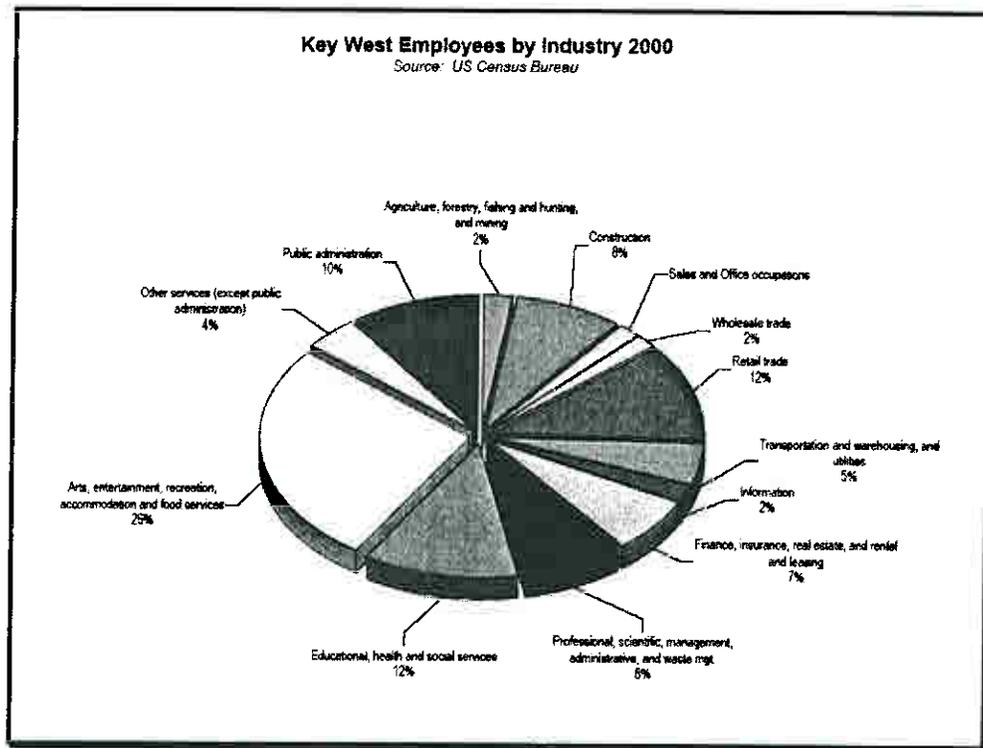
Employment - Because of the tourist, retail, public administration, and maritime industrial activity within Key West/Stock Island, this area has traditionally posted the lowest unemployment rates in the State of Florida as indicated in the following chart. Note, however, that the current recession has hit Key West hard since this town was so dependent on the tourist trade. While Key West continues to be a popular port-of-call for all of the major cruise lines sailing the Caribbean, the tourists disembarking those ships appear to be spending less while they are on-shore. This decrease in spending applies to bars, restaurants, souvenir shops, as well as to real estate.

Comparative Unemployment Rates
Key West, Monroe County, State of Florida, United States
June 2008 - June 2009 Unemployment Rate



Source: Key West Chamber of Commerce

The following chart illustrates the breakdown of employees by industry.



Development - The subject's immediate neighborhood, also known as "Mid Town", consists primarily of single family land uses. However, since Key West is so small and crowded, development also consists of commercial and mixed-use properties, too, sometimes in the same property. The properties adjacent to the subject school are majority single family residences, ranging in condition from fair to newly renovated (or redeveloped).

The main tourist/commercial district is in Old Town, which extends primarily along Duval Street, in the western portion of the island city. This is the heart of the tourist/shopping district. Along both sides of Duval Street are restaurants, bars, tee shirt shops, souvenir stores, and other tourist related businesses. The tourist economy fuels strong demand for commercial space, prompting commercial redevelopment and renovations to expand throughout the entire island south of Eisenhower Boulevard. However, this, too, has been hard-hit by the recession.

Transportation - Overseas Highway (US Highway 1), to which the subject is proximate, provides access to and from the subject neighborhood and links Key West to the Florida mainland, approximately 125 miles northeast. The highway extends generally east/west and is known as Truman Avenue, a two-lane paved asphalt thoroughfare in the immediate neighborhood. Public transit is limited to taxi services within the local neighborhood. Several bus lines such as Greyhound and JGT provide service from the mainland to Key West with stops on most of the significant Keys. Additionally, the Key West International Airport is located within 5 miles and provides commercial service convenient to the local neighborhood.

The Town of Key West has no mass- or public-transit system, nor does it plan one. Monroe County does not have or plan such a system. Given that the car is still the primary vehicle by

which to arrive/leave Key West, traffic is congested year-round and on-street parking is hard-to-find.

Weather – All of Florida is subject to hurricanes. Given that Key West just sticks out there in the middle of where the Gulf of Mexico and the Caribbean Sea meet, it is subject to weather influence(s) that the remainder of the state may miss. If an evacuation order is given, then all lanes of US 1 become northbound so the residents of Key West and the remainder of Monroe County can get to safety.

Conclusions

The subject is located on White Street and in Midtown Key West. This stretch of White Street and the immediate surrounding neighborhood is primarily residential.

The area has essentially no land available for development, which has traditionally fueled strong demand for existing improved properties. This area was in the *gentrification* phase of its life cycle as many of the older dilapidated buildings have been renovated or replaced. However, the recession and the attendant lack of mortgage money has effectively ended this, at least until the lenders are willing to make real estate and construction loans again. While that time will come, it is not until a time uncertain in the future.

The tourist industry has grown steadily in the past because the cruise lines bring literally hundreds of thousands of tourists in each year. This will likely continue into the future. However, data we have developed for other clients (here by reference) indicate that while these visitors are spending about the same amount of *time* here, they are spending *less money* while they are here. This negatively impacts the economy of the entire Town and will last as long as the current recession lasts.

In the past, sales prices in the commercial sector increased significantly, and commercial rents increased, as well, but not at the same rate of increase. This has served to decrease overall capitalization rates in the area. In short, the prices paid for the older properties have far outpaced the income potential of the existing improvements, indicating that the primary value component is inherent in the underlying land. Another consequence is that real estate became "too expensive" since there was nothing to support a continued increase in prices. However, that price "bubble" burst in late 2006 or early 2007. Prices have since fallen. Furthermore, the market has not yet picked-up because lenders are not making real estate loans and most real estate investors are not able to have 100% equity in a property. As well, there is no way to know when the lender's purse strings will begin to loosen.

Because of the damages of the Hurricanes of 2005 and 2006, all of the state, but especially Monroe County, became the subject of an increase in insurance premiums. In some cases, premiums doubled from one renewal period to the next and many insurance companies dropped coverage on existing customers or denied coverage to new customers. This inability to get insurance (or get it at an affordable rate) hurt the real estate market in Monroe County, but not as drastically as some had predicted. However, when the effects of significantly higher insurance premiums were magnified by the effects of the recession, it would not be an exaggeration to say the bottom fell out of the Monroe County real estate market.

In summary, then, Monroe County, including Key West, has been hit hard by the effects of the current recession. Tourism is down, real estate prices are down; lenders are not making mortgage loans to new developments. Given the area's historic nature, the mild climate, natural beauty and the traditional popularity of the area; things will get better – it's just that nobody knows when or at what cost.

Site Data and Analysis

The subject's site characteristics are summarized below. Following these data is a tax map and flood map.

Source of Data – Data on the site come from a survey the client provided to us. It is essentially illegible, but we were able to take some measurements from it. A copy of that survey is in the addendum, as well as here by reference. We assume its accuracy.

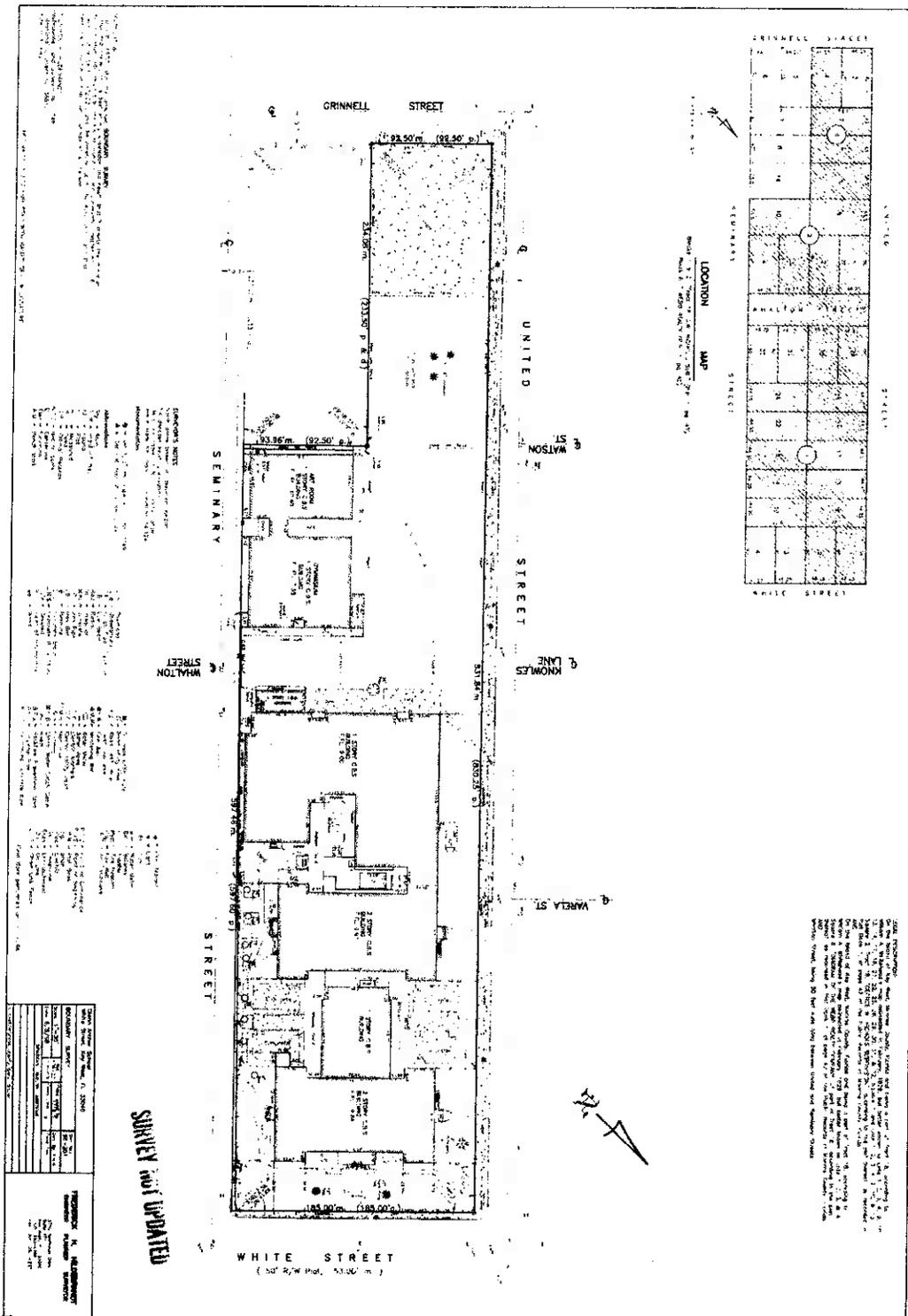
Accuracy – The survey shows data both “as measured” and “as per plat”, meaning the surveyor found unresolved differences between the two. The survey does not show a site size. However, our calculations show that as measured the site has $\pm 133,083$ square feet. Per the plat it has $\pm 132,076$ square feet, a difference of $\pm 1,007$ square feet. The Monroe County Public Record data (source by reference) shows $\pm 132,136$ square feet, or a difference of only 60 square feet from the per-plat size. We consider all three sizes as authoritative since they all have reliable sources.

For purposes of this appraisal, we used the size on the public record, 132,136 square feet. This is the size that would be taxed if the property were subject to ad valorem taxation (which, as property under the ownership of the County, it is not).

Site Area/Shape – Overall the site has a long L-shape. The longest leg is on the south side of United Street, with the next longest side of Seminary Street. The site also has frontage on White Street and Grinnell Street. Its total size is 132,136 square feet (see above).



Note: the red line depicts only the original school parcel; the remaining six parcels are identified by the arrows.



PROPERTY INFORMATION	
APPLICANT	...
DATE	...
SCALE	...
PROJECT	...
REVISIONS	...

SURVEY NOT UPDATED

THIS PLAN WAS PREPARED BY THE ARCHITECT AND ENGINEER...
 THE ARCHITECT AND ENGINEER HAS CONDUCTED A VISUAL SURVEY...
 AND HAS FOUND THAT THE INFORMATION PROVIDED IS TRUE AND CORRECT...
 TO THE BEST OF HIS KNOWLEDGE AND BELIEF...
 THE ARCHITECT AND ENGINEER DOES NOT WARRANT THE ACCURACY...
 OF THE INFORMATION PROVIDED FOR ANY OTHER PURPOSE...
 EXCEPT AS SPECIFICALLY STATED HEREIN.

Frontage, Depth, and Size – The survey indicates the subject has ±185' of frontage on White Street. Along United Street, its longer leg, it measures ±831'. This indicates a frontage-to-depth ratio of 0.222:1, which indicates a long and skinny site. This is typical and acceptable for a site developed as a school. However, were it a commercial site, if access was only from White Street, then any development at the rear of the site (i.e. near Grinnell Street) would suffer from lack of exposure. If, however, access were available from all of the bordering streets, this would not be a problem.

There is an issue, however, as to the subject's size (above). This report uses 132,136 square feet. As such, it is one of the largest contiguous parcels of land in all of Key West. Indeed, it is larger than any of the comparable sales and listings the appraisal uses to form a value opinion. This suggests that the market is *not* currently looking for a site this size. Indeed, going as far back as 2000, there has not been a property of this size sell in Key West. Therefore, to sell a site this size in the current economy would present a major challenge. We treat this in greater depth in the Highest and Best Use and Cost sections of this report.

Topography and Vegetation - The site is cleared and generally level. Drainage appears positive as no evidence of long-standing water was noted. No native plant or animal species that would impede development are noted.

Drainage – At the site visit it was raining – hard. Once it stopped, there was a lot of standing water, but it had dissipated after approximately 15 minutes. However, there was no flooding to be seen. Therefore, it appears that the site's drainage is sufficient. However, this conclusion is subject to the opinion of proper experts.

Access – Were it not for the 8' security fence surrounding most of the site, it would be possible to access the site from White Street, United Street, Seminary Street, and Grinnell Street. However, given the security fence, primary access to the site is from White Street, which also happens to be the front of the school (see photos). Therefore, access to the site is typical and average.

Easements and Encroachments - Typical utility easements are assumed. No *adverse* easements or encroachments are noted on the survey.

Utilities - Utilities are available to the site. This includes water by Florida Keys Aqueduct Authority, telephone by AT&T, electricity by Florida Keys Electric Cooperative and public trash services. The site is connected to the city's centralized sewerage system. We assume all utilities are functional and have the capacity to handle current, as well as future, load demands.

Zoning - Data from Key West's website indicates the subject's zoning is *HPS* (complete data included by reference) or **Historic Public and Semipublic Services District** (which is also *HPS* on the future land use map). "Educational centers and day care" are two of the land uses the zoning specifically *encourages*. A County school is an educational center. The zoning specifically omits residential land uses. Quoting directly from the City's zoning ordinance, we see that the

"Uses permitted in the historic public and semipublic services district (*HPS*) are as follows:

- (1) Community centers, clubs, and lodges.
- (2) Educational institutions and day care.
- (3) Hospitals and extensive care.
- (4) Nursing homes, rest homes and convalescent homes.
- (5) Parks and recreation, active and passive.
- (6) Places of worship.
- (7) Business and professional offices.

- (8) Medical services.
 - (9) Parking lots and facilities.
 - (10) Cemeteries.
- (Ord. No. 97-10, § 1(2-5.5.7(B)), 7-3-1997; Ord. No. 04-09, § 3, 5-18-2004)

"Conditional uses in the historic public and semipublic services district (HPS) are as follows:

- (1) Cemeteries.
 - (2) Cultural and civic activities.
 - (3) Protective services.
 - (4) Public and private utilities.
 - (5) Marinas.
- (Ord. No. 97-10, § 1(2-5.5.7(C)), 7-3-1997)"

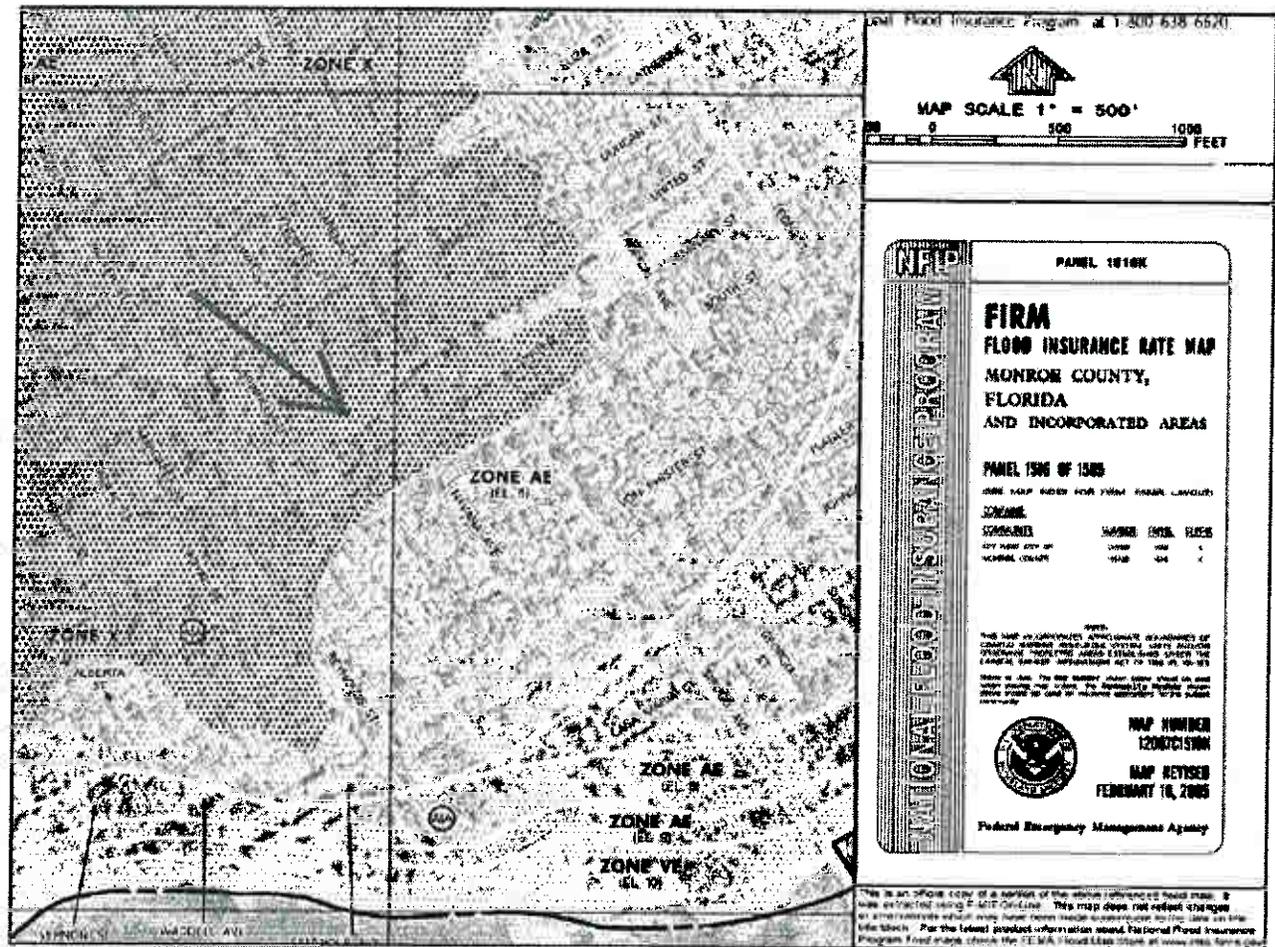
While the order in which the potential uses appear is not relevant, note that the City of Key West would prefer public uses over private uses. Indeed, the first private use; that of office space, is 7th on the list. When we spoke with the City's planning department on the issue, it acknowledged the potential for development of the subject site with office space, but stressed to us the desirability of a public use, such as that of a park.

Under this zoning there is *no maximum density*, likely due to the already-high density Key West has. The maximum floor area ratio is 1.0 (and higher if certain conditions are met). Maximum building height is 25'. Maximum building coverage is 40% and the maximum impervious surface ratio is 50%. A lot must measuring a minimum of 50' X 100', thus the minimum lot size is 5,000 square feet. Minimum setbacks are 20' in front; 5' to 15' on the sides (certain conditions mandate the greater setback); rear at 15' or 20' when abutting an alley; and 20' if a site boundary abuts a side street.

Given the location of at least two of the buildings on site, they do *not* meet the side setbacks of 5-15 feet. Therefore, while a school complies with the HPS zoning, two of the buildings do not appear to meet setbacks. As such, the current improvements are a legal but non-conforming use of the site. However, given that Key West are not going to battle the County School Board on this issue, it is effectively a non-issue, as well as one that does not affect value.

ROGO Information – A phone conversation with the City's Planning department indicated that the subject has *no* ROGO entitlements. The reasoning for this is that the property has never had a residential use in its entire history. Note further that the uses permitted under the HPS zoning do *not* include traditional residential land uses. Thus use of this site for any type of housing does *not* currently appear possible under this zoning. This comes into play in the Highest and Best Use section of the report.

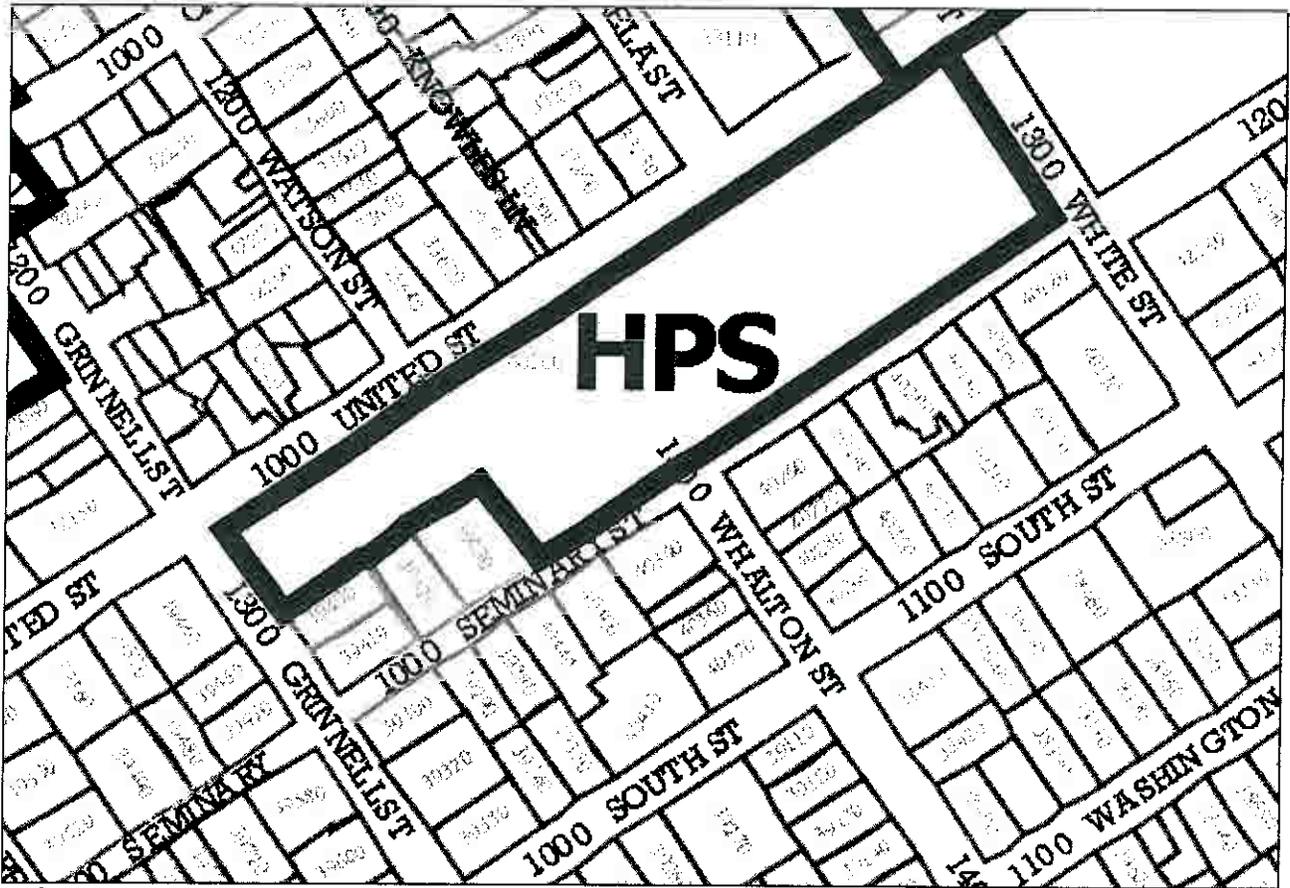
Nuisances and Hazards - According to Community Panel Number 12087C1516K of the Federal Emergency Management Agency's Flood Insurance Rate Map, dated 2/18/2005, most of the subject is located in Zone X, which just outside of a 100-year flood plain (i.e. is just outside of an area of high flood risk). For an exact determination we recommend a flood zone survey be conducted. No other adverse conditions were noted on or near the site. **Note: the Florida Keys are subject to periodic hurricanes and tropical storms that may cause abnormal flooding in areas above the 100-year flood plain.**



Conclusion of Site Analysis

The site is located in Mid-Town, Key West, with convenient access throughout the entire island city. The overall functional utility of the site is considered average and typical assuming access from any of the bordering streets. Its topography and zoning are compatible with the surrounding land uses. It is significantly larger than any of the surrounding sites; indeed, it is larger than any of the comparable sales and listings, as well.

No adverse conditions were noted that would significantly affect the future marketability of the property. Its location in what is essentially a residential area is not a detriment to value since, after all, this is Key West, and such mixed land uses are common. A mixture of land uses in a relatively small area is not only to be expected, but is part of what serves to give Key West its diverse and unique atmosphere.



Source: City of Key West online; GIS and Zoning Maps.

Assessment and Tax Analysis

Real estate in Florida is assessed at 100% of the assessor's estimated "Just Value". Just Value has been equated to market value less closing costs and any exemptions such as homestead, widow, disability or agriculture exemptions. Although the State of Florida requires real estate to be assessed at 100% of Just Value, in reality the ratio of the assessed value to sale price is generally below 100%.

The assessments are effective as of January 1 of each year and payable by March 31 of the following year. Tax bills are mailed by October or November and provide for a 4% discount if paid by the end of November, 3% if paid by December, 2% if paid by January and 1% if paid by the end of February. Otherwise tax bills are to be paid in full by the end of March and are delinquent after March 31.

As a property owned by the County, the subject is assessed for ad valorem tax purposes, but pays no taxes. This is common; however, were the subject to be sold to a private owner, there would be an annual tax burden. Since currently there is no such tax burden, and since the County may or may not sell the subject to a private owner, an analysis of the subject's potential tax burden is beyond the scope of this analysis.

The subject's 2009 assessments and taxes were taken from the Monroe County Property Appraiser's website and are summarized on the following chart. Note that the land took a major jump in value in 2006, but took a ±22% drop in 2009 from its 2008 level. Note also that, despite the fact that the buildings are getting older, the assessment on the buildings is increasing. This could mean nothing more than the buildings were under-assessed at times past. However, since buildings tend to *depreciate* as they get older, an *increasing* building assessment is worthy of further investigation.

Parcel Value History							
Certified Roll Values							
View Taxes for this Parcel.							
Roll Year	Total Bldg Value	Total Misc Improvement Value	Total Land Value	Total Just (Market) Value	Total Assessed Value	School Exempt Value	School Taxable Value
2009	6,578,802	0	15,525,960	22,104,782	22,104,782	22,104,782	0
2008	6,587,404	0	19,820,400	26,407,804	26,407,804	26,407,804	0
2007	4,465,552	0	19,820,400	24,285,952	24,285,952	24,285,952	0
2006	4,469,375	0	5,946,120	10,415,495	10,415,495	10,415,495	0
2005	4,475,109	0	5,946,120	10,421,229	10,421,229	10,421,229	0
2004	4,454,963	0	5,946,120	10,401,083	10,401,083	10,401,083	0
2003	4,454,963	0	1,816,870	6,271,833	6,271,833	6,271,833	0
2002	4,454,963	0	1,816,870	6,271,833	6,271,833	6,271,833	0
2001	4,454,963	0	3,435,536	7,890,499	7,890,499	7,890,499	0
2000	4,454,963	0	2,510,584	6,965,547	6,965,547	6,965,547	0
1999	4,454,963	0	2,510,584	6,965,547	6,965,547	6,965,547	0

As the chart below shows, the ad valorem, non-ad valorem, and total tax burdens are zero (0) since the property, as a Monroe County School, is tax exempt.

Account History			
Roll	Tax	Status	Due
2008	2008	Acct: Paid-in-full	View
2007	2007	Acct: Paid-in-full	View
2006	2006	Acct: Paid-in-full	View
2005	2005	Acct: Paid-in-full	View
2004	2004	Acct: Paid-in-full	View
2003	2003	Acct: Paid-in-full	View
2002	2002	Acct: Paid-in-full	View
2001	2001	Acct: Paid-in-full	View
2000	2000	Acct: Paid-in-full	View
1999	1999	Acct: Paid-in-full	View
1998	1998	Acct: Paid-in-full	View
Total Due:			\$0.00

Account Information			
Roll Year:	2009	Class Value:	0
Tax Year:	2009	Just Value:	22,104,782
Account Number:	1040827	School Assessed Value:	22,104,782
	< Prev Next >	Assessed Value:	22,104,782
Parcel Number:	0004010000000056825	Exemption Value:	22,104,782
Millage Code:	10KW	Taxable Value:	0
Certified	BOARD OF PUBLIC INSTRUCTION OF MONROE COUNTY	Ad Valorem:	\$0.00
Roll Owner(s):	242 WHITE ST KEY WEST, FL 33040	Non-ad Valorem:	\$0.00
Situs Address:	1300 WHITE ST, KEY WEST	Total Tax:	\$0.00
Exemptions:	11 - SCHOOLS-INSTITUTIONA	» Print a copy of this bill	
	22,104,782		

Location Details ▾

Ad Valorem Details ▾

Non-ad Valorem Details ▾

Improvements Analysis

The following chart summarizes the building's components. These data come from the Monroe County Property Appraiser's Office, as well as our visit to the site. It is to be clearly understood that, at our visit to the subject, we were able to visit only the classrooms and easily accessible areas. We did not inspect the roofs of any of the structures, nor any of the hidden building components, since to do so is not what an appraiser does. We must assume that all construction, repairs, renovations, and/or remediation (if any) were carried out under proper supervision with all of the necessary permits, etc. properly obtained. Since we are not structural engineers, architects, or general contractors, we must assume the structural integrity of all of the structures on the site, as well as the integrity of all of their components.

Building one (B1) is the main 2-story school building and administrative offices. Note the cornerstone on this building indicates the year of construction was 1923. Building two (B2) is the auditorium building that, while separate from B1, is essentially part of it. Building three (B3) is another 1- and 2-story classroom building, as well as the cafeteria. Building four (B4) is the gymnasium and art building. The gym, while 2-stories tall (to accommodate basketball), has only one story. The art area is 1-story. We show photos of these buildings elsewhere in the report and include them here by reference.

There are copies of the drawings of the buildings in the addendum. We used these by which to determine the size of the buildings on the subject. These are based on field measurements and well as the measurements on the survey. They differ somewhat from the size indicated in the Monroe County Public Record. This difference may be a function of the way the Property Appraisers Office rounds its measurements, the way we rounded our measurements, or an estimation error.

Building #	Location	Size in Square Feet
#1	Main building located on White Street	7,548 @ 2 floors = 15,096
#2	To the contiguous southwest of Building #1 (this is the auditorium)	4,176
#3	To the contiguous southwest of Building #2 (this is a classroom building as well as the cafeteria area)	23,669 + 7,548 2-story area = 31,217
#4	Separate building (gym and art buildings) [the gym is 2-stories tall, but has only one floor]	9,171

Note that the replacement cost new data come from Marshall Valuation Service (MVS), from their on-line service, the details of which are in the addendum and here by reference. We have used replacement cost rather than reproduction cost since, were the site vacant today, the County would use new materials and construction systems with which to construct these buildings since, if for no

other reason, the improvements would have to meet new building codes (especially as they relate to hurricanes). It would not try to replicate what's there now since what is there now is not modern.

Depreciation is a function of the chronological age of the improvements, with depreciation taken from the MVS depreciation tables. These tables have their base in the year of construction rather than in the more subjective analysis inherent in using the effective age of the improvements. The school's cornerstone indicates 1923 as the year of the construction for the building on White Street. The County uses 1955 as the effective year of construction for the entire structure. This is the base we have used, as well.

MVS depreciation data indicate that a school has an effective life of ±45-years. If we add 45-years to 1955, then in 2000 the subject should have been torn down (or at least gutted) and something new constructed in its place. Since that was not the case, then the 45-years is too short to consider here. Later, in the Cost approach, we show an analysis of the subject's cost new, less depreciation, using 45-, 60-, and 75-years as the total economic life over which the subject would reasonably be depreciated. Of these, we concluded the 75-year TEL is the most market-oriented.

As the table below notes, there is likely more than one functional obsolescence factor in the subject, some curable⁵ and some not. We have not tried to measure this obsolescence factor because (a) in a school, it is likely not all that important, since these are not properties that market participants buy and sell on a regular basis, (b) if it were to sell to a private user who would then renovate the structure to another use, any functional obsolescence factors would become moot due to the use change and the modernizations inherent in it, and (c) it was not possible to find other sales with which to compare the subject to determine if there indeed was a functional obsolescence factor(s) to consider.

In the overall economy there is also likely an external or economic obsolescence factor as well (as research for other reports has consistently indicated). However, since a county does not construct a school with an entrepreneurial intent, we recognize and acknowledge this potential loss-in-value factor, but have not tried to measure it.

We note that, since the improvements still function as a school, offering classes during the school year, then it has been maintained, repaired, and/or renovated over the years at a level to meet this *specific* purpose. Note, however, that this maintenance may *not* fit these buildings for any use other than that of a school. Note, again, in the description below, we assume the structural integrity of the building components.

ITEM	DESCRIPTION (all structures unless otherwise noted)	COMMENT
Slab/base	The buildings appear to be slab-on-grade. We assume a properly prepared site with a properly steel-reinforced slab. We did not note any crawl spaces	None

⁵ A depreciation factor is curable if the cost to fix a problem is less than the value that fixing the problem would add to the subject. When the cost to cure exceeds the value to be added, then that cost over the curable is called "incurable" and detracts from value.

Structural Walls	B1 appears to be concrete-reinforced hollow ceramic tile with plaster over. B2, B3, and B4 appear to be CBS with stucco over	This comes not from a deep inspection, but by merely knocking on the walls.
Demising walls	See <i>structural walls</i>	None
Floors	The floors are generally linoleum/vinyl tiles over concrete or wood subfloors. We saw no carpet or wood floors (except on the basketball floor of the gym). Note this linoleum contains asbestos per the County's study (by reference).	None
Ceilings	In the gym, the ceiling is exposed metal frame with the original wood joists exposed. In the remainder of the buildings the ceilings were either the original wood with plaster over or dropped acoustical ceilings. Note the insulation in the original ceilings contained asbestos per the County's study (by reference).	Ceiling heights ranged from the common and standard eight (8') feet to as high as 20'. At the time of construction, these buildings did not have air conditioning, thus high ceilings allowed the hot air to collect there and leave the relatively cooler air at floor level.
Roofs and Roof Coverings	We were not able to inspect the roofs of roof coverings since this is typically not part of the scope of work for an appraisal.	The County Public Record data specifically omit any information relative to the roof or the roof coverings.
HVAC	The classroom buildings, etc. currently have central A/C and heating in keeping with modern building codes and market demand. The gym area has neither. There is at least one window unit.	Central A/C and heat are retrofittings since, at the time of construction, it was not the custom to air condition anything.
Restrooms and Plumbing	There are at least two restrooms per floor, boys' and girls', as well as two per floor for the teachers and staff. They are typically equipped. However, they are typically equipped for <i>children</i> (the subject is an elementary school), so there is no guaranty that, were the buildings to be put to any other use, these would be adequate. The restrooms have been retrofitted with adequate plumbing fixtures.	Possible functional obsolescence factor with the rest rooms. This it to acknowledge the possibility of such a presence, but recognize the fact that measuring such a factor is unreliable without knowing the use to which the subject buildings could eventually be put.
Electrical System(s)	The electrical system, which has been extensively retrofitted from the original, is	Another potential functional obsolescence factor (see

	adequate for use as a school. The retrofitting is clear from the fact that there are many exposed cables throughout the structures (see photos). Most of this retrofitting has resulted from the needs of modern phone, security, and computer networking systems.	above).
Utilities	The subject has water and sewer services as analyzed earlier. The report assumes their adequacy. The cafeteria uses natural gas to power the ovens and stoves. The gas is stored in two large metal "bottles" behind the cafeteria.	There appear to be no natural gas lines to the subject since there do not appear to be natural gas lines in Key West. The appraisers do not see the use of natural gas at the subject as a functional problem. The gas bottles so close to a school building the students frequent may present a fire problem. Potential functional obsolescence.
Windows	The original wood frame windows have long-since been replaced with aluminum frame, manually operated windows. While these appear to be operative, they are left closed for security and energy-efficiency purposes. All of the classrooms have such windows.	There are no overhangs (see photos) to protect the southern and western windows from the entrance of direct sunlight.
Security	All of the exterior doors are solid core, metal, and have reinforced lock mechanisms to deter vandalism. Interior doors (those to classrooms) are the same and can be easily locked from the inside. There are fire alarm pull-switches at adult level throughout the buildings. The teachers and staff carry walkie-talkies. The administrative offices can contact police, fire, ambulance, and other emergency services via 911. The windows on the lower floors appear to have been adapted for use with a security system.	The security system is a retrofit and is specific to the subject's current use as a school.
Lighting	Given the fenestration, these improvements use a lot of ambient light. To augment this ambient light, the school uses indirect florescent lighting, as is common and typical.	None

Landscaping	See photos. The landscaping is well maintained and attractive, although it is not extensive. Most of the landscaping is at the northeast corner of the property (the White Street entrance).	For security purposes, the school is not heavily landscaped so as not to provide any hiding places.
Fencing	For security purposes, the site (except for the White Street entrance) is surrounded by an 8'-high chain link fence, with some sections of it topped with barbed wire. There are various dual-gate entry areas to allow commercial and emergency vehicles to enter and exit. This also helps to prevent truancy.	While fences and walls surrounding front yards are common in Key West, they typically are not chain link fences with barbed wire on top.
Parking	Since this is an elementary school, it does not need a great deal of parking. There is some on-street parking along United and Seminary Streets. The far northwest corner of the site is reserved for staff and administrative parking. There appear to be 22 spaces. As well, there is a small parking area at the north side with +/-6 spaces.	This parking is not convenient to the school buildings. This parking would be totally inadequate for any other use. This is a <i>potential</i> functional problem.
Personal Property	In a school, personal property includes such items as desks, chairs, school supplies, computers, monitors & cables, cafeteria equipment (in the kitchen and in the serving areas), play equipment (see photos), library books, audio/visual equipment, gym equipment, landscaping equipment, building maintenance equipment, and so forth	Since these items are personalty, they are <i>not</i> part of the final value opinion.
Miscellaneous Items	There are no elevators in any of the buildings, which could make access to a 2 nd floor classroom or the gym difficult for a handicapped student.	No elevators. <i>Potential</i> functional problem. Lack of ADA compliance,

Highest and Best Use Analysis

Highest and best use is defined as follows: “*The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.*”⁶

Highest and Best Use of the Land ‘As if Vacant’

There is little or no vacant land left for development in Key West. Most properties are purchased improved or with entitlements for development vested in the land. While, typically, we would omit a lengthy analysis of the value of the site as if vacant, in this assignment, that analysis is vital since the cost approach is really the only applicable approach to the formation of a value opinion. Later in the report we show how we came up with a site value when there were no vacant land sales.

A location on White Street, on an island the size of Key West, gives the subject site a central location. True, this is primarily a residential location. It is also true that the subject’s zoning does not permit traditional residential land uses. However, Key West has a precedent of mixing residential and commercial land uses not only in the same block, but in the same buildings. This mix can be in a given neighborhood, or even in a given property. It is common in Key West to see a property on a major commercial corridor such as Duval Street have buildings congruent with the European land development model. In other words, there are commercial uses downstairs and residential uses upstairs.

Frontage and depth at the subject are adequate and typical (assuming access were available from all four (4) of its front streets). However, of the four (4) streets on which the subject site fronts, the major street is White Street. United and Seminary Streets are secondary residential streets at best. Grinnell Street’s frontage is secondary to that of White Street since the former, too, is a secondary residential street. Depth, however, as a function of size is more of an issue.

From a standpoint of size, the subject faces a challenge. As we have indicated, the subject, at over 132,000 square feet in size is one of the largest contiguous parcels of land in the City. We researched land sales as far back as 2000 and could not find one of this size (although we did *not* research the *assemblage* of sites, however). Note that this does not necessarily mean the market does not want a property of this size. It *could* mean that Key West does not typically have any of this size to sell. In any event, the subject is much larger than the typical vacant commercial or residential site in the City.

Zoning is not an issue. The zoning (and the land use plan) indicates HPS zoning, the details of which are here by reference. What is an issue here is the fact that the property, according to the City’s Planning department, has no ROGO entitlements since it has no residential use potential. As such, it has no residential development potential, either. A full analysis of the City’s position is outside of the scope of an appraisal. Therefore, we must assume the City is correct in its answer to our question.

⁶ *The Dictionary of Real Estate Appraisal, 4th Edition*, Appraisal Institute.

Utilities, police & fire protection, and so forth are not issues. All are average and typical. Further, the comparable sales later herein all took place under the same level of utilities and police & fire protection as has the subject.

While utilities are not an issue, the state of the local economy is a major factor currently affecting the subject. As we have pointed out, banks are generally not lending money for real estate projects. Concomitantly, the ability to use leverage as a wealth-builder is no longer a portion of the market, so neither is the speculation behind it. The altitude of real estate prices that was the norm throughout the Keys in 2005 and 2006 is long gone and likely not to be seen again (at least in the foreseeable future). In Key West, as a result of the recession, the tourism industry has had a major negative impact. Comparable sales data show that it is common to see a property come on and then stay on the market for a year or more. Another indication of the state of the economy can be found in Key West MLS statistics. Under the heading of *Vacant Land*, the data show that most of the indicators are down (although not all).

Therefore, the two (2) major issues facing the subject now are (1) a bad economy that has effectively squelched demand for real estate in the Keys, and (2) the subject's overall size; there is no demand for properties this big.

Therefore, as of 2/22/2010, were the subject site vacant and ready to be put to its Highest and Best Use, that Highest and Best Use would be to let it remain vacant until such time uncertain in the future when the economy turned around and presented sufficient demand to make the development of the property economically viable.

Highest and Best Use of the Property 'As Improved'

The last step in the highest and best use analysis involves analyzing the site 'as improved'. The existing improvements are compared to the ideal improvements, and a conclusion is drawn to maintain the existing improvements or modify the property to resemble the ideal improvements. The Appraisal Institute also defines highest and best use as improved as: "*The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.*"⁷

Legally Permissible Uses – A school, almost by definition, is never the Highest and Best Use of a site since it does not provide a return on or of investment. However, school boards build schools for reasons more sublime than those of mere lucre. Further, the HPS zoning/land use plan provides for the subject site's use as a school. Therefore, its present use as a school is one that is legally permissible.

Note, again, that for the reasons already cited, the subject has no ROGO entitlements. As such, the subject has no residential use potential. Indeed, residential use is not even one of the land uses permitted under the zoning. As a result, it merits no further discussion here.

⁷ *The Dictionary of Real Estate Appraisal, 4th Edition, Appraisal Institute.*

Physically Possible Uses – The site has over 132,000 square feet, albeit in a long and skinny parcel. The school buildings on the site have \pm 50,000 square feet, indicating a floor area ratio (FAR) of \pm 0.38. There is still open space, room for play areas, as well as parking. Thus the buildings on the subject do not over-use or under-use the site.

The site's long, skinny shape is not a detriment to its current use as a school. Indeed, this is likely an excellent use for this property since a school does not need extensive road frontage to attract retail customers or possible fee purchasers. This shape means the subject has frontage on four (4) streets in Key West (although three (3) of them are minor residential roadways). The plusses of that exposure, however, are balanced by the extensive perimeter the school's administration, teachers, and security personal must secure and patrol.

Thus a school is one physically possible use of this site.

Financially Feasible/Maximally Productive Use – A public school building does not produce a return on or of investment for the School Board. Indeed, such a building costs the School Board money each year to repair and maintain. There is no way that, as a public school building, it can be run in a manner that would generate an entrepreneurial profit. Therefore, its *maximally productive* use, its *financially feasible* use, must lie elsewhere.

It is possible that the School Board could lease the property to a private educational provider. The provider would then pay rent, thus generating an income. However, while this is *possible*, its *probability* is another matter. Such a use is not probable. The School Board could *sell* the property to an entrepreneur. The entrepreneur could then either modify the current improvements to commercial standards, or even raze them to get at the underlying site. However, given the current status of the economy, extensive commercial development this far from Front and Duval Streets does not appear feasible. Further, we have already discussed the fact that the shape of the site and the layout of the buildings on the site do not lend themselves to commercial uses (unless access can be had from all four (4) frontage streets, three (3) of which are secondary residential streets).

In the improvements' analysis (above), we made note of the fact that, for example, the restrooms are designed for children, not adults, and there are no elevators in the two-story sections of the subject buildings. There are other functional challenges as well. While all of these challenges can be overcome, to overcome them requires time and money. Since time *is* money, and since banks are not currently in a loose-purse string mood, then the expense of overcoming these challenges could be more than the subsequent rental income can reasonably support in the current market. Thus, sale of the subject to an entrepreneur does not seem to be in the cards right now.

Currently the subject site and buildings work as an elementary school. Over the years, the buildings have been renovated and retrofitted to meet changing technology and the demands of those who "consume" education. The buildings are subject to a high level of maintenance and are clean and well-kept. However, it is impossible to dispute their age(s). The County property appraiser uses an effective year built of 1955, making them effectively 55-years old. This is despite the fact that the cornerstone on the main building reads 1923 (or 87 years old). The City's Planning office indicated that the buildings had been around since the 1930s (making them 80-

ish). However one counts the subject building's birthdays, they are old and are therefore close to the end of their economic lives. This is the key to their Highest and Best Use.

It is therefore our conclusion that the subject's Highest and Best Use as improved is the continued use as a school facility on an *interim basis*. In this case, an interim basis is valid until that time uncertain in the future when it makes economic sense to sell the property so that it can be put to another use. When that time comes, the market sales suggest the site's Highest and Best Use as improved will be to convert the subject to a commercial use, congruent with the zoning and land use, such as offices.

The Appraisal Process

The three approaches commonly used in the appraisal of real estate are as follows:

The Cost Approach

"A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of or a replacement for, the existing structure; deducting accrued depreciation from the reproduction or replacement cost; and adding the estimated land value plus an entrepreneurial profit."⁸

In this appraisal we have used this approach since, for a school, there really is not another one. We were able to find the sale of one school. It was from the County School Board to a private buyer. However, other this one sale, there were no others, thus necessitating the use of this approach. Note that this approach is not really market-oriented. This is because it tends to concentrate on price and cost which, by definition, have little to do with *market value*.

The Sales Comparison Approach

"A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments, to the sale prices of the comparables, based on the elements of comparison."⁹

We used this approach to form an opinion as to the value of the site "as if vacant" and available to be put to its Highest and Best Use. However, there was the sale on only one school, which is not enough data from which to draw a value conclusion.

The Income Capitalization Approach

"A set of procedures through which an appraiser derives a value indication for an income-producing property by converting anticipated benefits (cash flow and reversion) into property value. This conversion is performed in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate."¹⁰

Given the purpose of the appraisal, as well as the subject itself, *in this instance alone* this approach is not applicable to the formation of a credible value opinion. The subject generates no income to measure nor, in its present incarnation, is it capable of so doing without extensive renovations and retrofittings. As a result, we have omitted this approach from this analysis.

⁴ *The Dictionary of Real Estate Appraisal*, 4th Edition, Appraisal Institute.

⁹ *Ibid.*

¹⁰ *Ibid.*

Methodology

First we have estimated the depreciated cost of the current improvements. The report shows this in summary format following this introduction. Then we have estimated the value of the subject site as if vacant. Then we total these to form an estimate of the subject's value via this approach.

Estimate of Depreciated Cost New

Building Name	@	Glynn Archer Elementary School - 1300 White Street, Key West, Monroe County, Florida	
MVS Bldg. Type	@	School (B1)	Assumes a 2-story Classroom
MVS Bldg. Type	@	School (B2)	Assumes an Auditorium (MVS lecture hall)
MVS Bldg. Type	@	School (B3)	Assumes 1- and 2-story Classroom
MVS Bldg. Type	@	School (B4)	Assumes a Gym and Art building
MVS Bldg. Class	@	"C"	
MVS Bldg. Class	@	"C"	
MVS Bldg. Class	@	"C"	
MVS Bldg. Class	@	"C"	
Bldg. QUALTIY	@	Average	
Bldg. QUALTIY	@	Average	
Bldg. QUALTIY	@	Average	
Bldg. QUALTIY	@	Average	
Quantity (SF) (B1)	@	15,096	
Quantity (SF) (B2)	@	4,176	
Quantity (SF) (B3)	@	31,217	
Quantity (SF) (B4)	@	9,171	
Unit	@	Per sf or Per LF	
Indirect Costs	@	10.00%	
Ent. \$ Value	@	0.00%	

Figure 1 summarized MVS data

Figure 1 summarizes MVS cost data we used as the basis for this analysis. Note again that this analysis assumes replacement cost new, not preproduction cost new, for the reasons cited earlier.

Building Improvements - UNIT COSTS						
Building Name: Glynn Pace Elementary School - 1300 White Street, Key West, Monroe County, Florida						
MVS Building Type						
School (B1)		Unit	Sq. Foot	Current MPLR		0.97
Construction Class	"C"	Unit Cost	\$ 124.73	Local MLPR		1.17
Quality	Average	Sprinklers	\$ 3.16	Story Ht. MLPR		1.00
Quality Rating Section/Page	18/27/2009	HVAC Adjust. Other	\$ -	Perim. MLPR		1.00
Economic Life (years)	45	Subtotal	\$ 127.89	Final Unit Cost	\$	145.14
Source: MVS and the appraiser's estimates						
Building Improvements - UNIT COSTS						
Building Name: Glynn Pace Elementary School - 1300 White Street, Key West, Monroe County, Florida						
MVS Building Type						
School (B2)		Unit	Sq. Foot	Current MPLR		0.97
Construction Class	"C"	Unit Cost	\$ 132.96	Local MLPR		1.17
Quality	Average	Sprinklers	\$ 3.16	Story Ht. MLPR		1.00
Quality Rating Section/Page	18/27/2009	HVAC Adjust. Other	\$ -	Perim. MLPR		1.00
Economic Life (years)	45	Subtotal	\$ 136.12	Final Unit Cost	\$	154.48
Source: MVS and the appraiser's estimates						

Figure 2 summarizes building costs with modifiers for buildings ONE and TWO

Building Improvements - UNIT COSTS									
Building Name:		Glynn Pace Elementary School - 1300 White Street, Key West, Monroe County, Florida							
MVS Building Type		School (B3)		Unit		Sq. Foot		Current MPLR	
Construction Class	0	Unit Cost	\$	124.73	Local MLPR				1.17
Quality	0	Sprinklers	\$	3.16	Story Ht. MLPR				1.00
Quality Rating Section/Page	18/27/2009	HVAC Adjust. Other	\$	-	Perim. MLPR				1.00
Economic Life (years)	45	Subtotal	\$	127.89	Final Unit Cost	\$			145.14
Source: MVS and the appraiser's estimates									
Building Improvements - UNIT COSTS									
Building Name:		Glynn Pace Elementary School - 1300 White Street, Key West, Monroe County, Florida							
MVS Building Type		School (B4)		Unit		Sq. Foot		Current MPLR	
Construction Class	0	Unit Cost	\$	110.37	Local MLPR				1.17
Quality	0	Sprinklers	\$	3.16	Story Ht. MLPR				1.00
Quality Rating Section/Page	18/27/2009	HVAC Adjust. Other	\$	-	Perim. MLPR				1.00
Economic Life (years)	45	Subtotal	\$	113.53	Final Unit Cost	\$			128.84
Source: MVS and the appraiser's estimates									

Figure 3 summarizes building costs with modifiers for buildings THREE and FOUR

Site Improvements - UNIT COSTS ONLY										
Site improvement	Name	Parking								
1	Quality Section Page Unit	Average 66 1	Unit Cost Other (Paint) Other	\$ 1,129.00 -	Current MLPR Local MLPR	0.97 1.17				
		Per space	Subtotal	\$ 1,129.00	Final Unit Cost	\$ 1,281.30				
	2	Quality Section Page Unit	Average 66 2	Unit Cost Other Other	\$ 3.10 -	Current MLPR Local MLPR	0.97 1.17			
			Per sq. foot	Subtotal	\$ 3.10	Final Unit Cost	\$ 3.51			
3		Quality Section Page Unit	Average 66 4	Unit Cost Other Other	\$ 21.40 0 0	Current MLPR Local MLPR	0.97 1.17			
			Linear Foot	Subtotal	\$ 21.40	Final Unit Cost	\$ 24.29			
	4	Quality Section Page Unit	Average 66 4	Unit Cost Other Other	\$ 480.00 0 0	Current MLPR Local MLPR	0.97 1.17			
			Per Gate	Subtotal	\$ 480.00	Final Unit Cost	\$ 544.75			
5		Quality Section Page Unit	Average 66 8	Unit Cost Auto control Other	\$ 0.75 0.10 0	Current MLPR Local MLPR	0.97 1.17			
			Sq. Foot	Subtotal	\$ 0.85	Final Unit Cost	\$ 0.96			
	6	Quality Section Page Unit	Average Estimate Estimate	Unit Cost Other Other	\$ 25,000.00 0 0	Current MLPR Local MLPR	0.97 1.17			
			Total Site	Subtotal	\$ 25,000.00	Final Unit Cost	\$ 28,372.50			

Figure 4 summarizes costs not included in Tables 1-4

Replacement Cost ESTIMATE - Does NOT Include Land Value

Building Name	MVS Building Type	MVS Class	Quality	Quantity (SF)	Unit	\$ Unit Cost	\$ Cost New
Glenn Archer Elementary School - 1300 White Street, Key West, Monroe County, Florida	School (B1)	"C"	Average	15,096	Per sf or Per LF	\$ 145.14	2,190,983
	School (B2)	"C"	Average	4,176	0.2	\$ 154.48	645,096
	School (B3)	"C"	Average	31,217	0	\$ 145.14	4,530,732
	School (B4)	"C"	Average	9,171	0	\$ 128.84	1,181,587
Subtotal - Replacement cost new				59,660			8,548,398
Plus: Indirect Costs						10.00%	854,840
Plus: Entrepreneurial Value						0.00%	-
Subtotal							9,403,238
Total Replacement Cost New						\$ 157.61	\$ 9,403,238
Site Improvements							
Item	Quality	Quantity (SF)	Unit	\$ Unit Cost	\$ Cost New		
Parking	Average	22	Spaces	\$ 1,281.30	\$ 28,189		
Paving	Average	27,984	Sq. Foot	\$ 3.51	\$ 98,294		
Fencing	Average	1,738	Linear Feet	\$ 24.29	\$ 42,211		
Gates	Average	3	Number	\$ 544.75	\$ 1,634		
Lawn Sprinklers	Average	7,421	Sq. Foot	\$ 0.96	\$ 7,159		
Landscaping	Average	1	Sq. Foot	\$ 28,372.50	\$ 28,373		
Subtotal - Replacement Cost New					\$ 205,859		
Plus: Indirect Costs					10.00%		20,586
Plus: Entrepreneurial Value					0.00%		-
Subtotal							226,445
Total Replacement Cost New							\$ 226,445
Overall Property Summary							
Building Improvements							8,548,398
Site Improvements							205,859
Subtotal Replacement Cost New							\$ 8,754,257
Plus: Indirect Costs						10.00%	875,426
Plus: Entrepreneurial Value						0.00%	-
Subtotal							\$ 9,629,683
Total Replacement Cost New (Does not include land value)			\$ 72.88	\$	161.41	\$	\$ 9,629,683

What these data suggest, then, is that it would cost approximately \$9.6 million to build the school new (this is ±\$161 per square foot of building area and ±\$73 per square foot of site area). Note again this is for the structure only and *does not* include personalty items such as desks and chairs, computers, monitors & cables, and so forth (see earlier discussion). This total specifically includes a "fudge factor" of 10% so as to make sure we did not underestimate the construction costs. It also omits any entrepreneurial value, since a school board does not build a school for an entrepreneurial purpose.

Estimates of Total Accrued Depreciation

The \$9.6 million is a cost new. Clearly the subject is not new. Depreciation accrues to any building since, for a variety of reasons; there will come a time when the building must be torn down so the site underneath it can be put to its Highest and Best Use.

The problem comes in calculating this depreciation. There are three main types of depreciation: physical, functional, and external (aka locational or economic). Clearly the subject is old, thus it suffers from physical (or age-life) depreciation, the vast majority of which is incurable. Since the subject is a school, and was constructed to that specific purpose, it is likely that it has functional obsolescence (see earlier discussion). The general economy remains confused about where it wants to go, so there may be an economic (or external) obsolescence factor as well.

Age-Life Depreciation: This factor accounts for the fact that, as a building ages, all other things being equal, it wears out, thus is worth less than a newer building. The problem with the subject is that calculating its age is difficult. Assuming the County figure of a construction year of 1955 is correct, the subject is 55-years old. MVS depreciation tables indicate a school should have a total economic life (TEL) of ±45 years. Therefore, were we to follow MVS unquestioningly, the subject's improvements would not only have a value of zero, they would have a negative value since (a) they are *so far past their TEL* and (b) the School Board would have to *pay somebody to tear them down* since they are ten years too old.

That the subject's improvements are past their prime is clear. That they still function as a school is also clear; so a 45-year TEL is not applicable. Typical of properties in the Florida Keys, where new development is highly restricted; TELs are extended. In the case of the subject, a TEL of 75 years is within reason. Using a TEL of 75 years the depreciated value contribution of the improvements is as follows:

SUMMARY OF COST NEW AND ACCRUED DEPRECIATION			
Total Cost New			\$ 9,629,683
County Impact Fees @	0.50%	\$ 48,148	
Less Age-life @	73.33%	(7,061,768)	
Less Functional @	1.00%	(96,297)	
Less External @	1.00%	\$ (96,297)	\$ (7,206,213)
Total Depreciated Value Contribution			\$ 2,423,470

Figure 5 shows a summary of depreciation

Table 5 (above) shows depreciation, but assumes a 75-year TEL for a property such as the subject. That a TEL longer than 45-years is applicable to the subject is clear from the fact that the subject still serves as a school. A TEL of 75-years is supported by the surrounding market because of the highly restrictive land use plans in the Florida Keys.

Table 5 also shows a one-half percent impact fee since such fees are common (although this fee may be low, frankly). Then it shows $\pm 73\%$ age-life depreciation (based on the 75-year TEL). It then acknowledges functional and external obsolescence factors by deducting 1% of cost new for each one (this is not an attempt to *measure* these factors; but merely to *recognize* they are likely present). This indicates a remaining value contribution of the improvements of $\pm \$2,423,470$. This is $\pm \$40.71$ per square foot cast over the school area approximately $\$18.34$ per square foot cast over the site size.

Extraction of Site Value

Table 6 (below) takes one (1) current listing and six (6) sales in Key West by which to form an opinion as to the value of the subject site as if vacant and ready to be put to its Highest and Best Use. Sale #1 goes back to June of 2004. We analyzed and then used this sale for these reasons: (a) in Key West there are just not a lot of "large" commercial sales available since most of the sites here are small as per the original plats, some filed of record in the early 19th Century; (2) While the market went up from '04-'06, in late '06 or early '07, the bottom fell out of the market, then fell freely in the remainder of 2007, 2008, and 2009. Thus current prices are not so much different than they were then; (3) it has a commercial, non-residential zoning as does the subject. In other words, we went with what the market offered us.

Title Item/#	Closed Sales						
	A	1	2	3	4	5	6
Address/Location	1000 Eaton Street, Key West	1500 Bertha Street, Key West	420 Southard Street, Key West	818 White Street, Key West	1011 Virginia Street, Key West	808 Southard Street, Key West	1015 Simonton Street, Key West
Alternate Key # or Control #	1005380	1063606	NA	1023019	1032158	00011470-000000, et al	1027847
Use at Sale		Restaurant	Vacant	Apts. and offices	House of Worship	School	Trailer Park (vacant)
Zoning	HNC(1-3)	CL	HRO	HNC(1-3)	HMDR	HPS	HNC(1-3)
Offering Price	\$ 740,000						
Sales Price		\$ 750,000	\$ 1,575,000	\$ 1,750,000	\$ 1,050,000	\$ 4,500,000	\$ 2,400,000
Date of Offering	Pending Sale						
Date of Sale		6/30/2004	5/30/2007	9/28/2007	6/6/2008	8/20/2009	4/30/2009
Total Building Value	\$ 133,873	\$ 203,535		\$ 548,102	\$ 613,616	\$ 1,675,332	\$ 18,775
Total Misc. Building Value	\$ 3,321	\$ 3,394		\$ 105	\$ 3,498	\$ -	\$ 12,351
Total Land Value	\$ 531,847	\$ 159,720		\$ 680,310	\$ 1,347,125	\$ 8,086,397	\$ 1,409,789
Total (Market) Value	\$ 669,041	\$ 366,649		\$ 1,228,517	\$ 1,964,239	\$ 9,761,729	\$ 1,440,915
% land of Total Ass't	79%	44%		55%	69%	83%	98%
Indicated Land \$	\$ 588,255	\$ 326,716	\$ 1,575,000	\$ 969,089	\$ 720,117	\$ 3,727,699	\$ 2,348,156
Size (SF)	4,020	4,791	15,360	6,032	10,777	62,584	45,746
Land \$/SF	\$ 146	\$ 68	\$ 103	\$ 161	\$ 67	\$ 60	\$ 51

Figure 6 above summarizes the sales

Note these sales were at various stages of improvement as the time of sale and purchase (TOSP). For example, Sale #5 was improved with a school at TOSP. What this chart shows is the *extraction* of the site value from the overall sales price (since there was only one vacant land sale we could find). To do this we start with the actual sales price.

For example, #1 sold for \$750,000. Then we look at the tax assessment to determine what portion of the total assessment the land is. Again with #1, the land is 44% of the assessment. We then apply this ratio of land-value-to-total-value to the sales price. Since sale #1 has 44% of its value in the site, then 44% of \$750,000 is \$326,715. Cast across the site size of 4,791 square feet, then the extracted land (site) value is \$68 per square foot. Remember that "A" is a listing, while 1-6 are the sales. The Figure below summarizes the indicated sale prices per square foot.

Listing	Closed Sales					
A	1	2	3	4	5	6
\$ 146	\$ 68	\$ 103	\$ 161	\$ 67	\$ 60	\$ 51

Figure 7 summarizes the listing and sales prices per square foot

Adjustments to the Comparable Sales

There are differences between the sales to account for or to make them as similar as possible with the subject. We discuss these differences and their adjustments following.

Estate, Conditions of Sale, and Financing: In these three elements of comparison the subject and the sales are similar in all areas but one. Sale #5 occurred at \$4.5 million despite the fact that the school board (the grantor) had three appraisals all at higher values than this. However, the school board elected to sell the property at this price, rather than the higher price, because it felt that "one in the hand was worth two in the bush". As a result, sale #5 merits an upward adjustment.

Time Adjustment: Typically the next adjustment in the sequence is that of changes in value as markets change over time (aka the "time" adjustment). As the report indicated earlier, the market in 2010 is probably equivalent to the market in 2004, before prices increased greatly. However, the sales in subsequent years likely took place at a sales price higher than they would have today. As a result they merit downward adjustments.

Legal & Physical differences: After making the above adjustments, it is customary to make adjustments for legal & physical differences in the subject and the comparables.

The legal differences would be those of *zoning*. While all of these properties have a different zoning a category than that of the subject, the zoning categories are similar in that they permit a multiplicity of uses including commercial land uses. As a result, there is no significant difference in the zoning classifications, thus we make no adjustments.

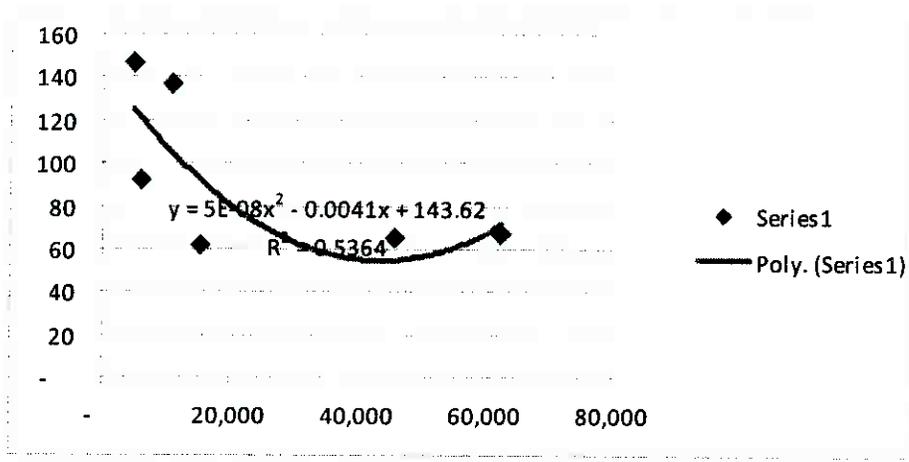


Figure 8 summarizes a trend in land size and sales price

The next major physical difference is that of *size*, which clearly merits an adjustment. Figure 7, which is taken from the sales only, clearly shows that as size increases, the sales price per square foot decreases. However, it also indicates that this relationship reverses itself at a size of approximately 50,000 square feet, after which price per square foot tends to increase again. This is a function both of the economies of scale, as well as the fact that larger parcels can have greater utility than smaller parcels. It is worthy of note, however, that sale #1, compared with sales four and five, indicates a somewhat different adjustment than would the polynomial curve on Figure 8. Therefore, all of the sales except for #5 merit a downward adjustment since they are smaller than the subject. Sale #5, since it is larger than the breakpoint at 50,000 square feet, merits no further adjustment.

All of the comparable sales have the same *utilities* as does the subject, thus merit no adjustment for this element of comparison. All of the comparable properties have *Key West locations*, thus merits no adjustments for this element of comparison. They all feature *access* similar to that of the subject, thus merit no adjustment. Under the sales' separate zoning categories, *densities* and *floor area ratios* are not issues, thus do not merit an adjustment.

Value Opinion – As if Vacant

Listing A	Closed Sales					
	1	2	3	4	5	6
\$ 146	\$ 68	\$ 103	\$ 161	\$ 67	\$ 60	\$ 51
0%	0%	0%	0%	0%	10%	0%
\$ 146	\$ 68	\$ 103	\$ 161	\$ 67	\$ 66	\$ 51
0%	-10%	-10%	-15%	0%	0%	0%
\$ 146	\$ 61	\$ 92	\$ 137	\$ 67	\$ 66	\$ 51
0%	-15%	-10%	-10%	-10%	0%	-10%
\$ 146	\$ 52	\$ 83	\$ 123	\$ 60	\$ 66	\$ 46

Figure 9 summarizes sales data (\$/SF) after adjustments

The data on figure 9 show one listing and six sales. The listing is not adjusted since it has not yet been thru the rigors of negotiation. Therefore, it functions as the top of the market. The Figure below shows a simple statistical analysis of the comparable sales after adjustment. Note that, while there is no true mathematical mall, three of the six sales fall between \$52.00 and \$66.00 per square foot. This is very close to the median value of \$63.00 per square foot. The average value of the \$72.00 per square foot is skewed by sale number three. For this reason, there is little reason to give the mean value any weight in this analysis.

Mean	\$	72
Median	\$	63
Mode	Three Sales between \$52 and \$66	

Figure 10 presents statistical data

Sale #5 (\$66/SF) is not only a recent sale, it is also the purchase and sale of a school to a private developer, which is generally congruent with our theory of highest and best use. For this reason, it merits a great deal of weight in the final analysis. While sale #5 is smaller than the subject, it is the largest of the comparable sales. For this reason, too, it merits a great deal of weight in the final analysis. Finally, sale #6 (\$46/SF) is the most recent of the sales, thus is probably the most indicative of what the market for properties such as the subject is thinking right now. Therefore it also merits a great deal of weight in the final analysis.

Therefore, it taking all of this into account, and a looking at the fact that there are three sales between \$52 and \$66 per square foot after adjustment, it is market-based to conclude a value between the two most similar sales (\$46/Sf to \$66/Sf). Considering the subject's large size and the economies of scale a value at the low end of the mode, say \$52/SF is reasonable. Applied to the subject's site size, this is a non-rounded value of \$6,871,072.

Subject Site Size (SF)		132,136
Indicated \$/SF	\$	52.00
Indicated Subject Value	\$	6,871,072

FINAL VALUE OPINION

Improvements Value @	\$	2,423,470	
Site Value @	\$	6,871,072	
Total Value @	\$	9,294,542	
ROUNDED TO:	\$	9,300,000	
Which is	\$	187	<i>per SF of Building</i>
Which is	\$	68	<i>per SF of Site</i>

Figure 11 shows the final value opinion

Because these numbers assume a marketing period of 12-months or less, there is no reason to discount them further. Therefore, based on the data this report presents, the appraisers have formed the opinion that the market value, as defined, of the subject property, as legally defined, as of February 22, 2010, subject to the extraordinary assumptions about asbestos as set forth earlier herein, was:

\$9,300,000

NINE MILLION THREE HUNDRED THOUSAND DOLLARS

Note that had the appraisers not used the hypothetical condition about asbestos, the value of the subject might have been different.

Addendum

- Definitions**
- Additional Subject Photographs**
- Subject Property Card**
- Subject Building Sketches**
- Comparable Sales Photographs/Maps**
- Letter of Engagement/Correspondence**
- Appraiser Qualifications**

Definitions

Entitlement means in the context of ownership, use and/or development of real estate, the right to receive government approvals for annexation, zoning, utility extensions, construction permits, and occupancy/use permits. The approval period is usually finite and may require the owner and/or developer to pay impact and/or other fees in addition to other costs to secure the entitlement. Entitlements may be transferable, subject to covenants or government protocols, may constitute vested rights, and may represent an enhancement to the property's value.¹¹

Entrepreneurial Incentive is defined as a market derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project and risk.¹²

Extraordinary Assumption is an assumption, directly related to a specific assignment, which, if found false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in the analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;*
- The appraiser has a reasonable basis for the extraordinary assumption;*
- Use of the extraordinarily assumption results in a credible analysis; and*
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.*¹³

Fee Simple Estate is defined as 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.¹⁴

Gross Building Area (GBA) is defined as the total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. Gross building area for office buildings is computed by measuring to the outside finished surface of permanent outer building walls without any deductions. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded.¹⁵

Hypothetical Condition means that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may be used in an assignment only if:

- *Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;*
- *Use of the hypothetical condition results in a credible analysis; and*
- *The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.*¹⁶

¹¹ *Dictionary of Real Estate Appraisal, 4th Edition, Appraisal Institute.*

¹² *Ibid.*

¹³ *Ibid.*

¹⁴ *Ibid.*

¹⁵ *Ibid.*

¹⁶ *Ibid.*

Leased Fee Estate is defined as the interest held by the lessor (the owner or landlord) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.¹⁷

Leasehold Estate is defined as the interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.¹⁸

Market Rent is the most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement, including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specific date.¹⁹

¹⁷ Dictionary of Real Estate Appraisal, 4th Edition, Appraisal Institute.

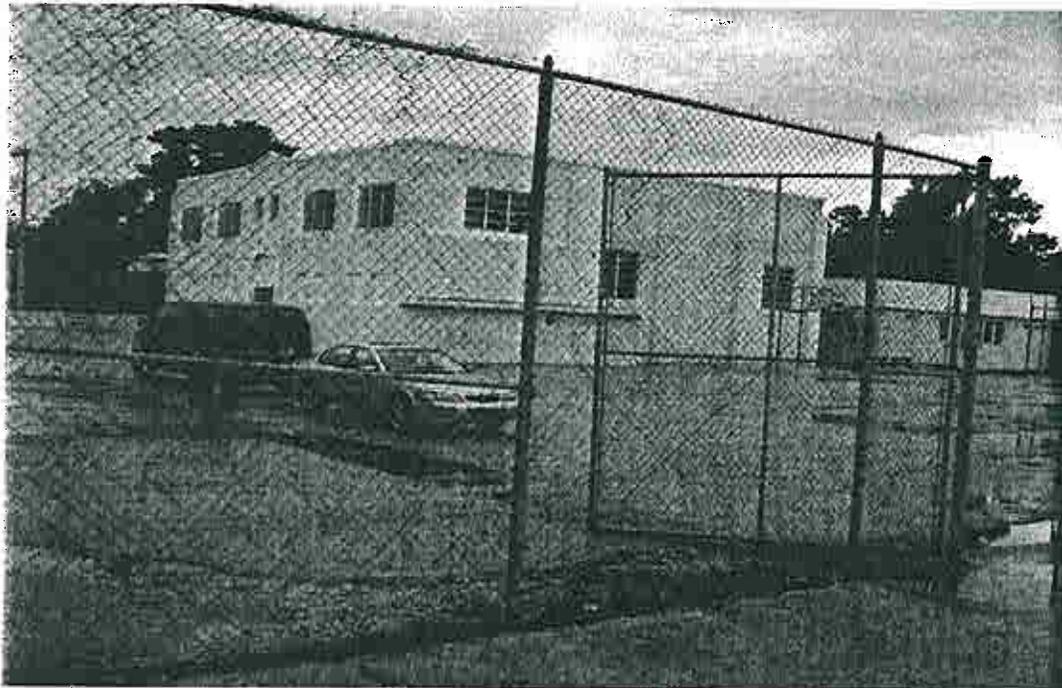
¹⁸ Ibid.

¹⁹ Ibid.

Additional Subject Photographs



Photograph 4 features the side of the main building



Photograph 5 features the gym and the art buildings



Photograph 6 shows Seminary Street and Walton Street, on the subject's south



Photograph 7 is Seminary Street facing southwest



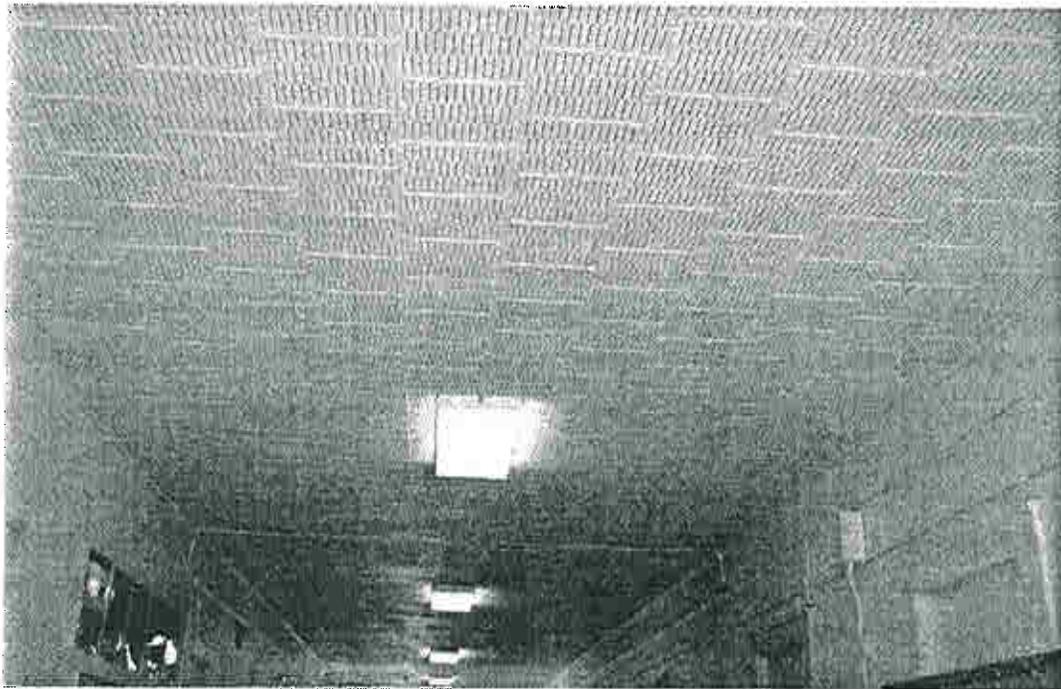
Photograph 8 is a play area on the playground



Photograph 9 is the faculty/staff parking area



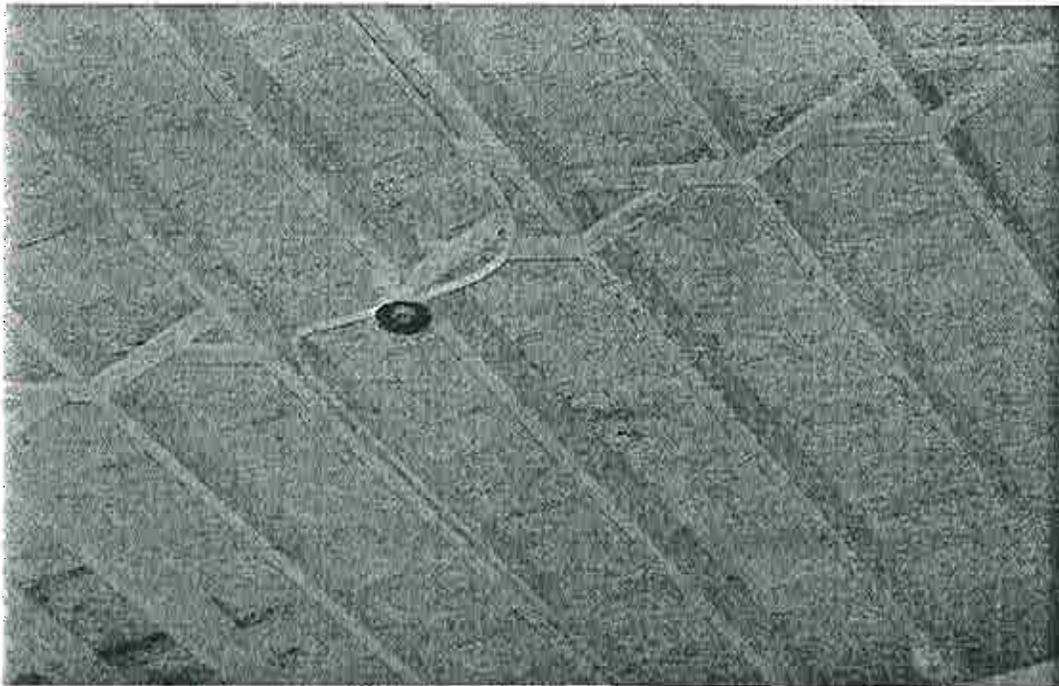
Photograph 10 is that of a typical classroom



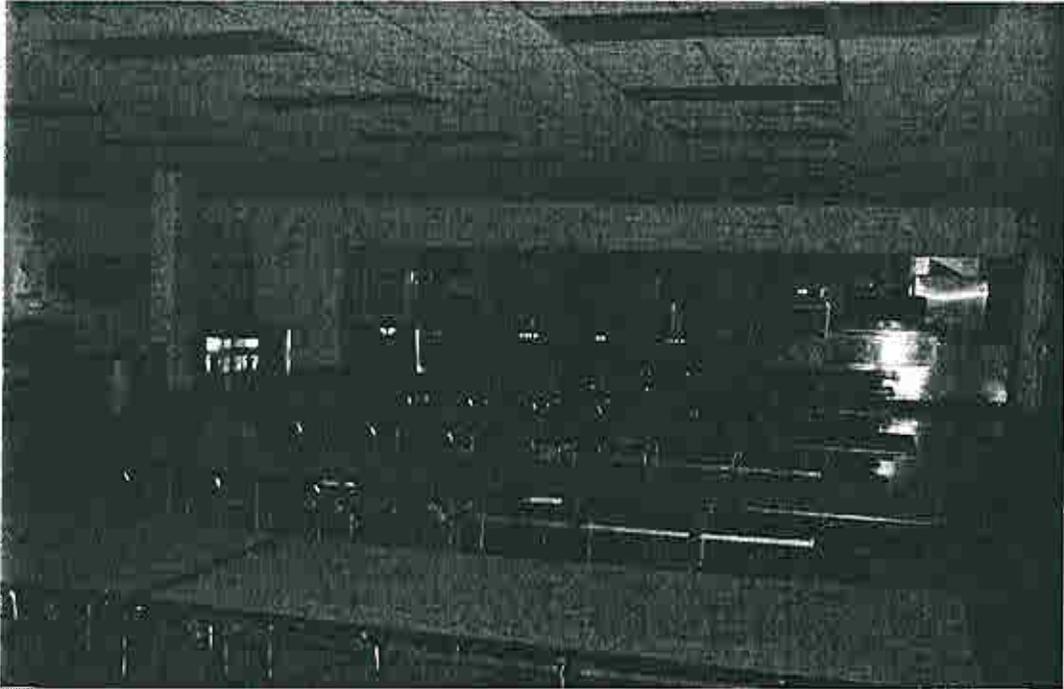
Photograph 11 is a detail photo of the ceiling



Photograph 12 shows the inside of the gym



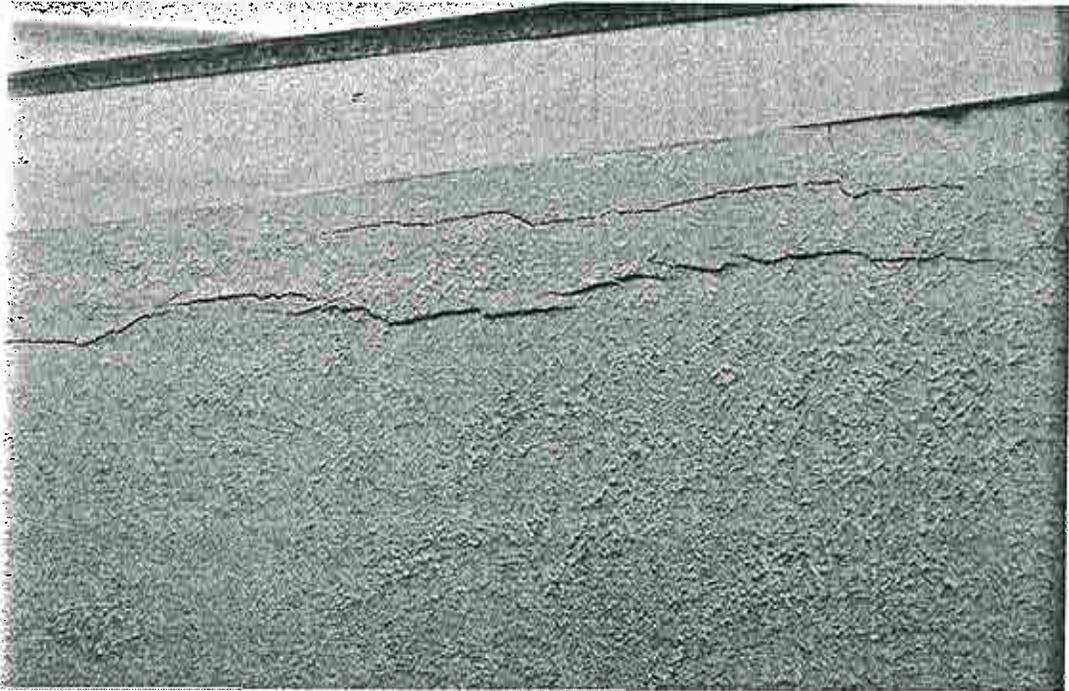
Photograph 13 is a detail photo of the gym's construction



Photograph 14 features the cafeteria area



Photograph 15 details the kitchen at the subject



Photograph 16 is evidence of spalling (deferred maintenance) at the subject



Photograph 17 shows evidence of deferred maintenance at the subject

Subject Property Card

Ervin A. Higgs, CFA
Property Appraiser
Monroe County, Florida

office (305) 292-3420
fax (305) 292-3501

Monday January 18, 2010, the Monroe County Property Appraiser's Office Property Record View

Alternate Key: 1016055 Parcel ID: 00015690-000000

Ownership Details

Mailing Address:
GARDENS OF KEY WEST LLC THE
526 ANGELA ST
KEY WEST, FL 33040

Property Details

PC Code: 39 - HOTELS/MOTELS
Millage Group: 10KW
Affordable Housing: No
Section: 06-68-25
Township-Range:
Property Location: 526 ANGELA ST KEY WEST
Legal Description: KW PT LOT 1 & PT LOT 3 SQR 2 TR 4 E1-81 G48-268/267 G72-212/221 CO JUDGES DOCKET #79-194
Description: OR846-2142/2143P/R OR846-2148/49Q/C OR1074-2473/2474R/S OR1185-2221/22Q/C OR1212-1375/81 OR1212-1387/88 OR2002-682/684(LG)

Show Parcel Map

Land Details

Land Use Code	Frontage	Depth	Land Area
1000 - COMMERCIAL DRY	170	185	32,179.00 SF
1000 - COMMERCIAL DRY	37	83	3,112.00 SF

Building Summary

Number of Buildings: 6
Number of Commercial Buildings: 6
Total Living Area: 9204
Year Built: 1923

Building 1 Details

Building Type	Condition E	Quality Grade 450
Effective Age 16	Perimeter 370	Depreciation % 20
Year Built 1933	Special Arch 0	Gnd Floor Area 3,237

Functional Obs 0

Economic Obs 0

Inclusions:

Roof Type
Heat 1
Heat Src 1

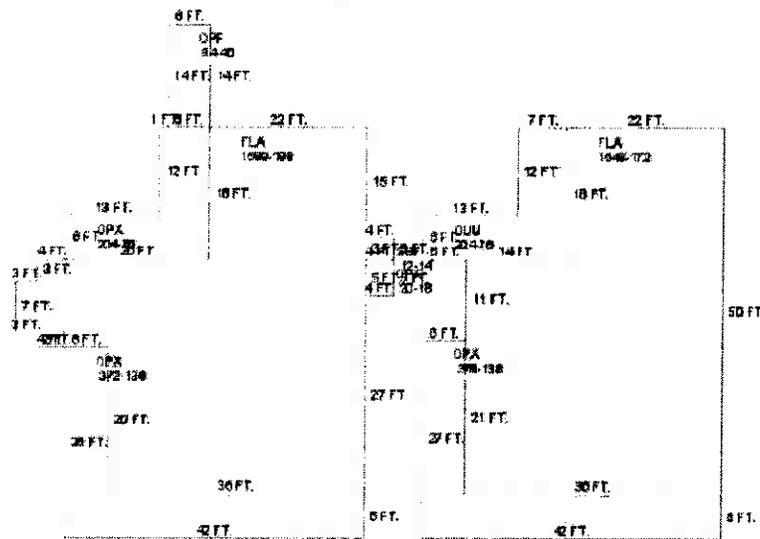
Roof Cover
Heat 2
Heat Src 2

Foundation
Bedrooms 0

Extra Features:

2 Fix Bath 0
3 Fix Bath 0
4 Fix Bath 0
5 Fix Bath 0
6 Fix Bath 0
7 Fix Bath 0
Extra Fix 15

Vacuum 0
Garbage Disposal 0
Compactor 0
Security 0
Intercom 0
Fireplaces 1
Dishwasher 0



Sections:

Nbr	Type	Ext Wall	# Stories	Year Built	Attic	A/C	Basement %	Finished Basement %	Area
1	FLA		1	1993					1,689
2	OPX		1	1993					372
3	OPX		1	1993					20
4	SBF		1	1993					12
5	OPX		1	1993					204
6	OPF		1	1993					84
7	OUU		1	1993					204
8	FLA		1	1993					1,548
9	OPX		1	1993					378

Interior Finish:

Section Nbr	Interior Finish Nbr	Type	Area %	Sprinkler	A/C
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2756	HOTEL/MOTEL B	100	N	Y
2759	SBF	100	N	N
2763	HOTEL/MOTEL B	100	N	Y

Exterior Wall:

Interior Finish Nbr	Type	Area %
730	AB AVE WOOD SIDING	100

Building 2 Details

Building Type
Effective Age 16
Year Built 1976
Functional Obs 0

Condition E
Perimeter 224
Special Arch 0
Economic Obs 0

Quality Grade 400
Depreciation % 20
Grnd Floor Area 1,536

Inclusions:

Roof Type
Heat 1
Heat Src 1

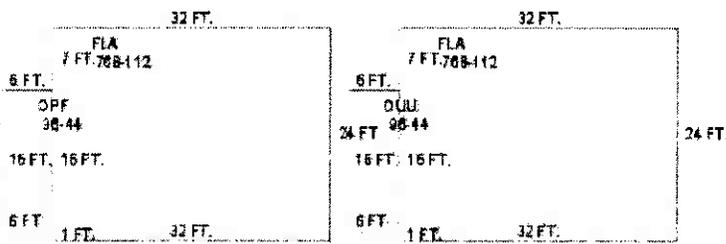
Roof Cover
Heat 2
Heat Src 2

Foundation
Bedrooms 0

Extra Features:

2 Fix Bath 0
3 Fix Bath 0
4 Fix Bath 0
5 Fix Bath 0
6 Fix Bath 0
7 Fix Bath 0
Extra Fix 8

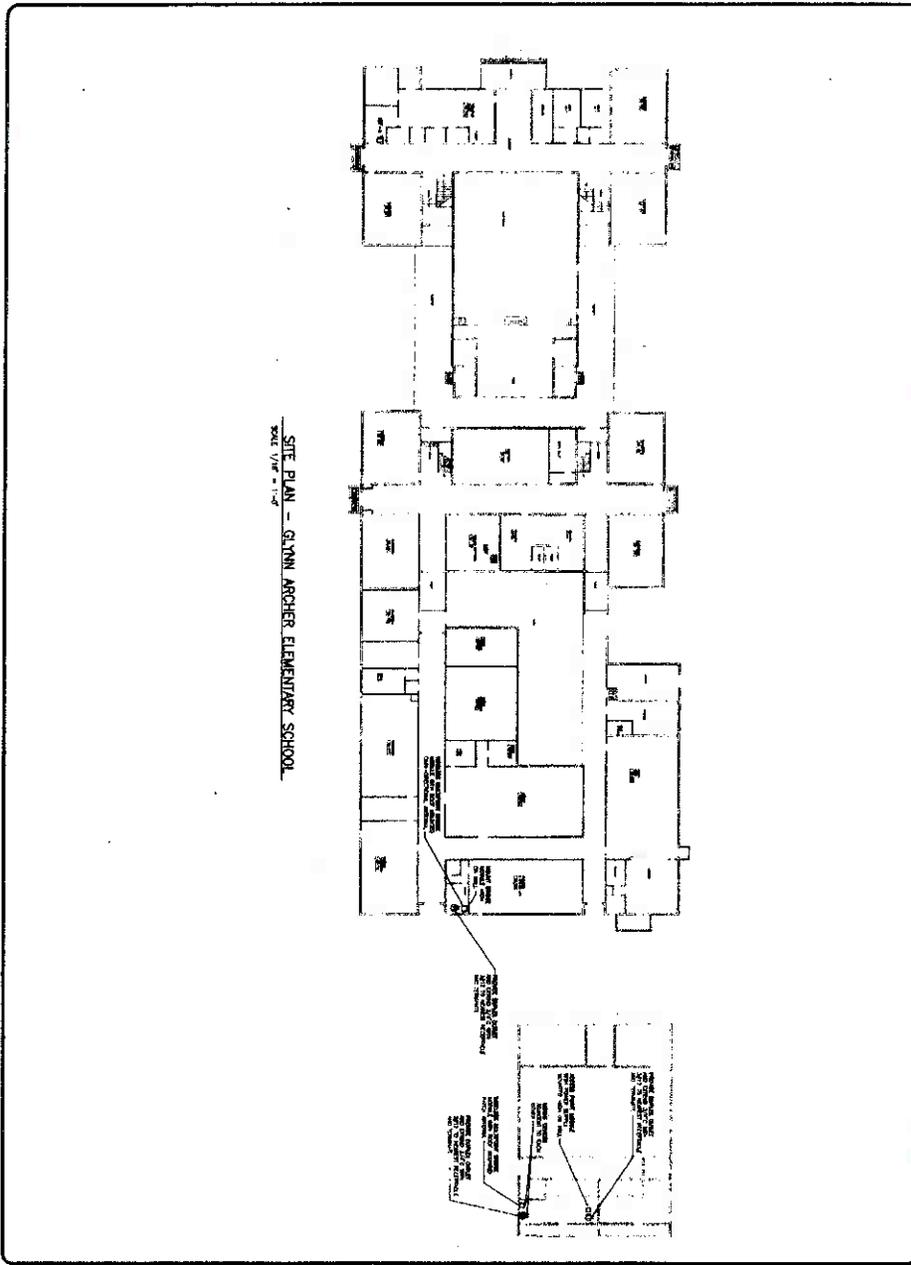
Vacuum 0
Garbage Disposal 0
Compactor 0
Security 0
Intercom 0
Fireplaces 0
Dishwasher 0



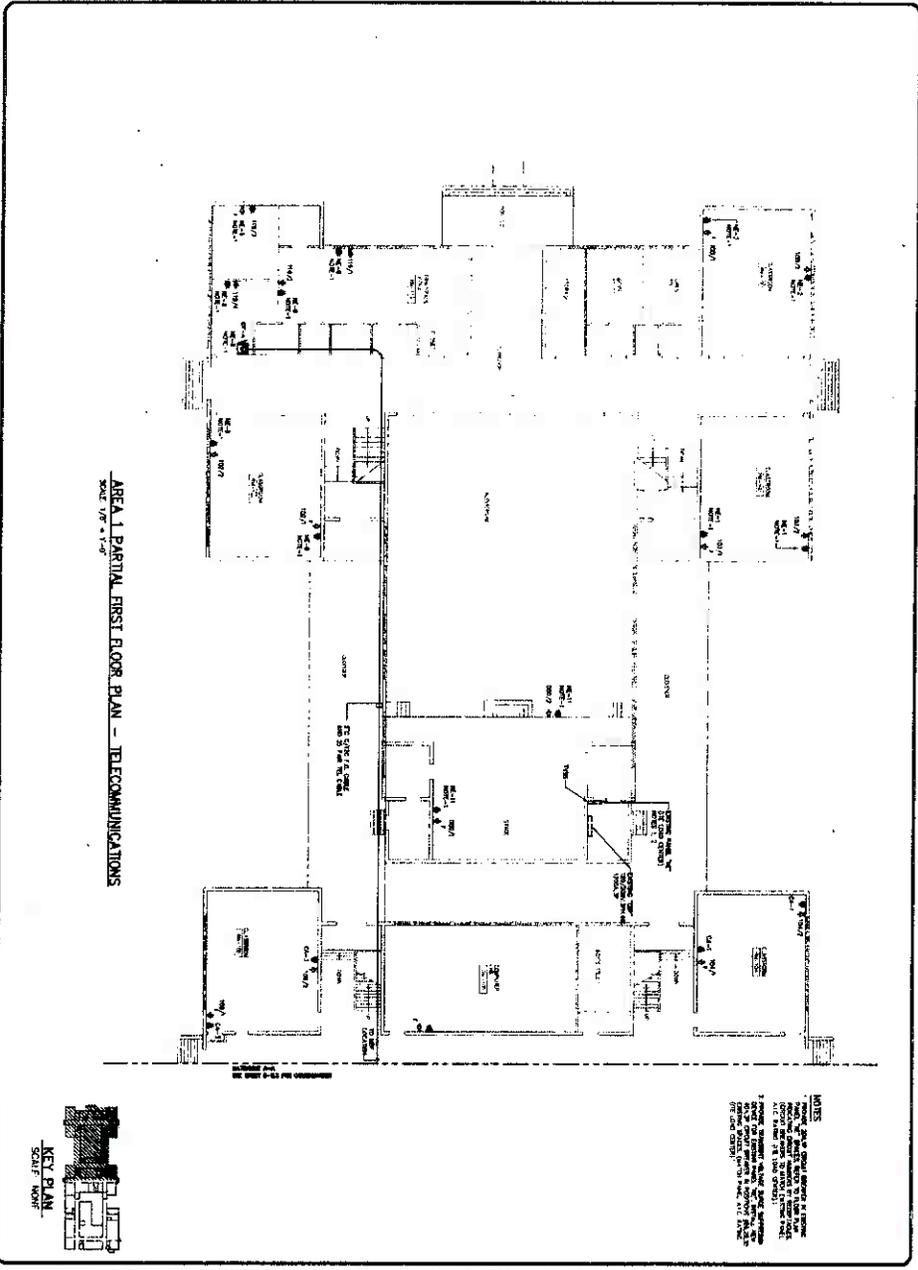
Sections:

Nbr	Type	Ext Wall	# Stories	Year Built	Attic A/C	Basement %	Finished Basement %	Area
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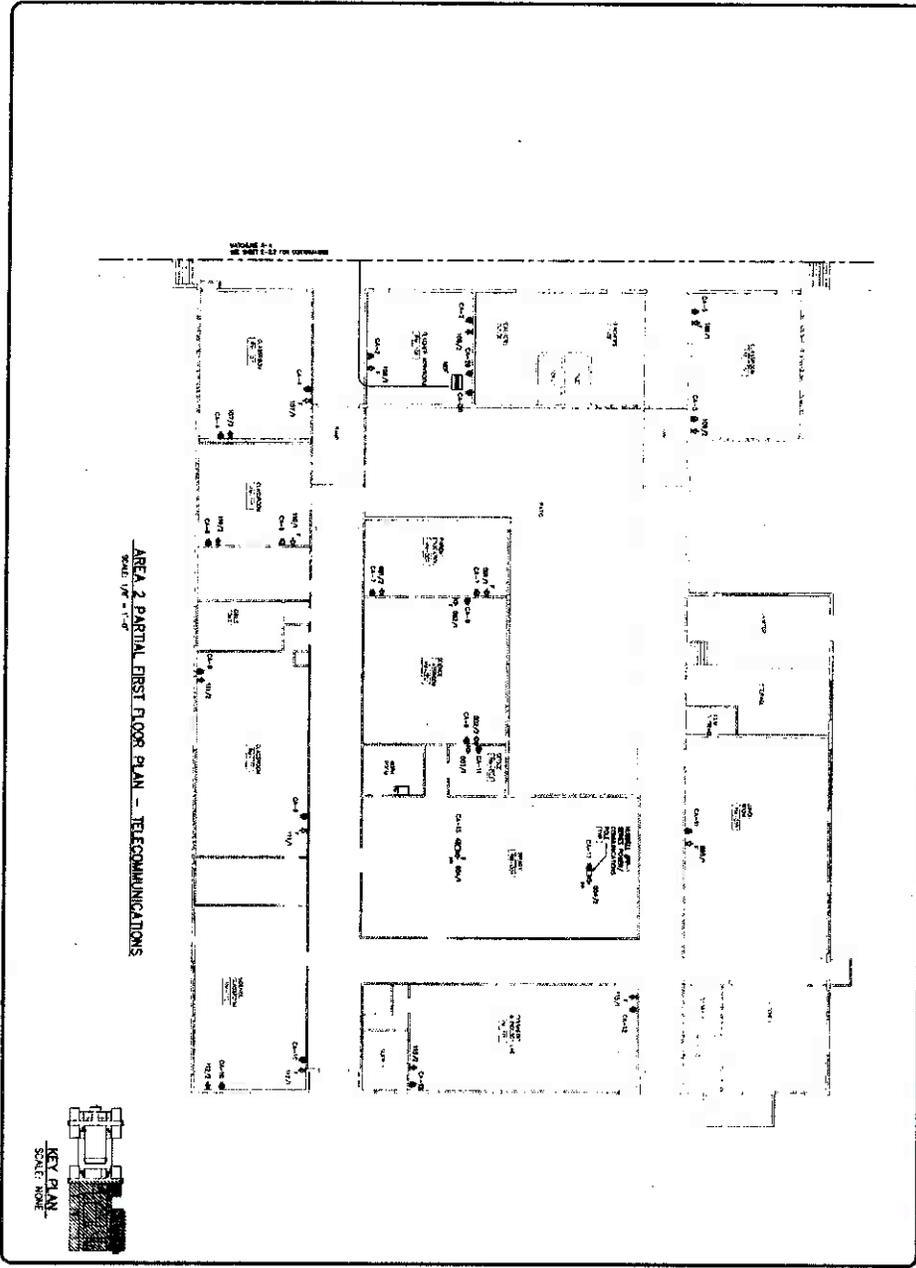
Building Sketches



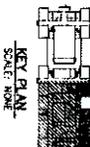
E-2.1 <small>DATE: 11/11/08</small>	GLYNN ARCHER ELEMENTARY SCHOOL KEY WEST, FLORIDA	SITE PLAN GLYNN ARCHER ELEMENTARY SCHOOL	 <small>Toph Hahn and Associates, Inc. ENGINEERS - ARCHITECTS - CONSULTANTS 300 South Australia Avenue, 770 Harbor Plaza Fort Lee, FL 32941-2008 (407) 882-2900</small>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="font-size: 8px;"> REVISIONS NO. DATE BY DESCRIPTION 1 11/11/08 JH/MS/ML Initial Design </td> <td style="width: 50px; text-align: center;"> </td> </tr> </table>	REVISIONS NO. DATE BY DESCRIPTION 1 11/11/08 JH/MS/ML Initial Design	
REVISIONS NO. DATE BY DESCRIPTION 1 11/11/08 JH/MS/ML Initial Design						



E-2.2	GLYNN ARCHER ELEMENTARY SCHOOL KEY WEST, FLORIDA	AREA 1 PARTIAL FIRST FLOOR PLAN TELECOMMUNICATIONS		Pugh Mann and Associates, Inc. ENGINEERS & ARCHITECTS - CONSULTANTS 100 SOUTH WASHINGTON STREET, 12TH FLOOR KEY WEST, FLORIDA 33401-2800 (305) 852-2800	
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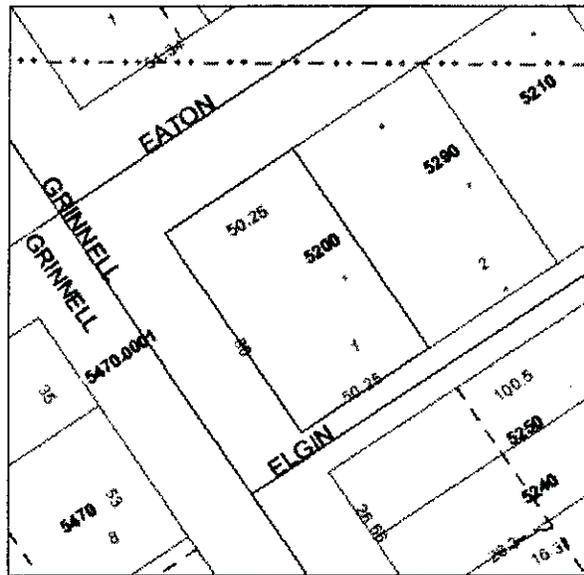


AREA 2 PARTIAL FIRST FLOOR PLAN - TELECOMMUNICATIONS



<p>E-2.3</p>	<p>GLYNN ARCHER ELEMENTARY SCHOOL KEY WEST, FLORIDA</p>	<p>AREA 2 PARTIAL FIRST FLOOR PLAN TELECOMMUNICATIONS</p>	 <p>Ralph Hahn and Associates, Inc. ENGINEERS + ARCHITECTS + CONSULTANTS 100 South Duval Street, 12th Floor, Suite 1200 Key West, Florida 33401-1000</p>	
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Comparable Listing A



Address:	1000 Eaton Street
Alternate Key:	1005380
O.R. Book & Page:	N/A; Listing
Legal Description:	KW PT LOT 3 SQR 32 A5-332 OR411-376 OR776-864/67
Sale Price:	\$740,000
Sale Date:	Current
Sale Conditions:	Arms-length assumed
Building Size:	989 SF
Land Size:	4,020 SF
Land % of Assmnt:	79%
Land \$ Contribution:	\$588,255
Indicated Price/SF Land:	\$146

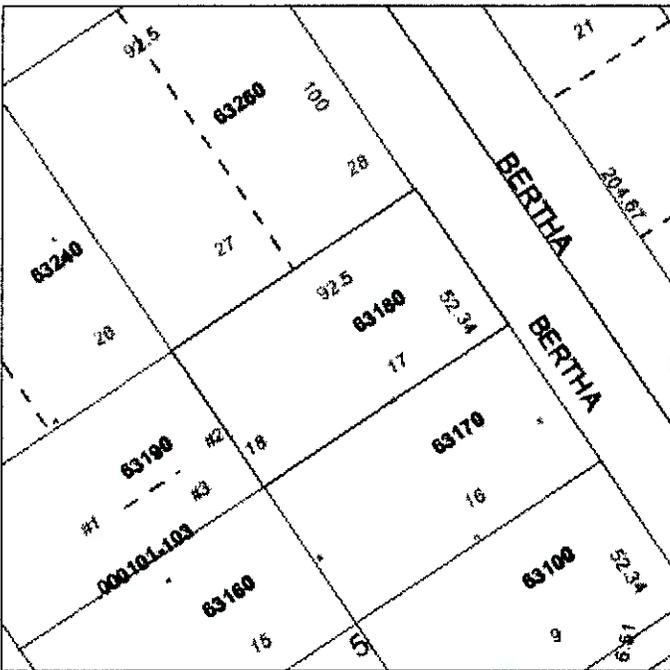
Comparable Sale 1



Address: 1500 Bertha Street
Alternate Key: 1063606
O.R. Book & Page: 2024 / 0159
Legal Description: KW DIAG PB 1-13
 LOT 17 SQR 5 TR 30
 OR103-70-71

Sale Price: \$750,000
Sale Date: 6/04
Sale Conditions: Arms-length
Building Size: 2,376 SF
Land Size: 4,791 SF
Land % of Assmnt: 44%
Land \$ Contribution: \$326,716
Indicated Price/SF Land: \$68

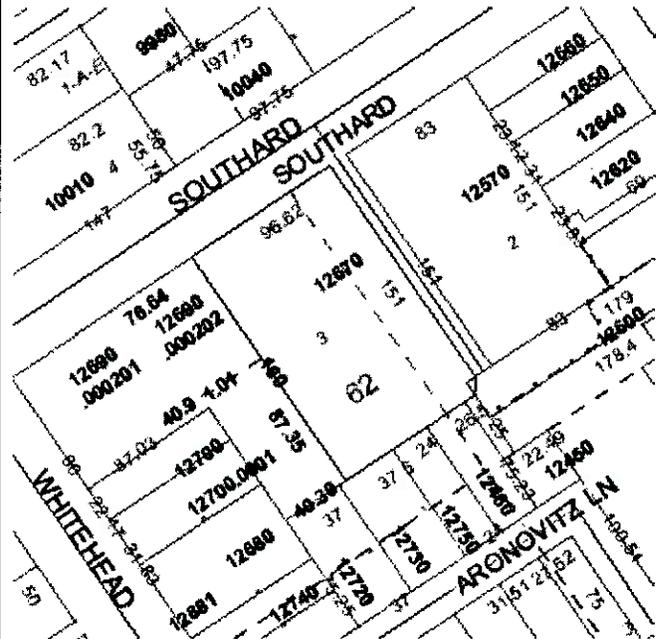
Parcel Map



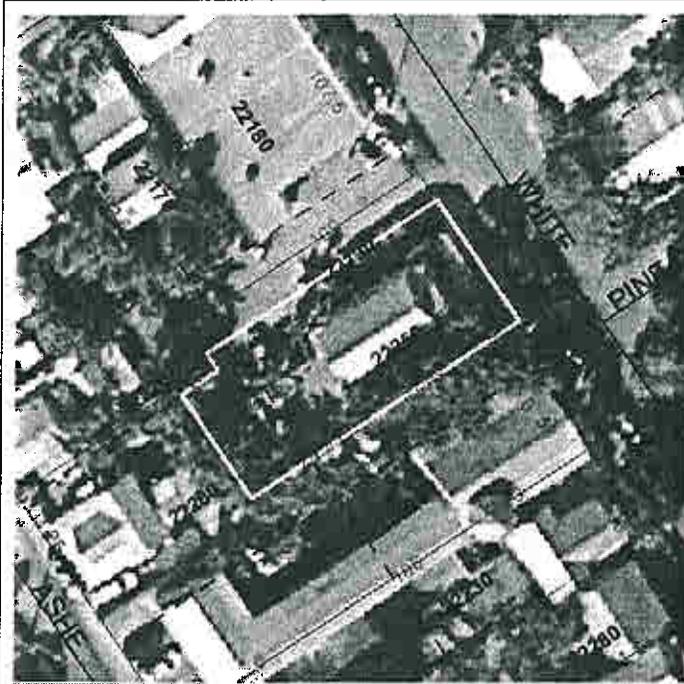
Comparable Sale 2



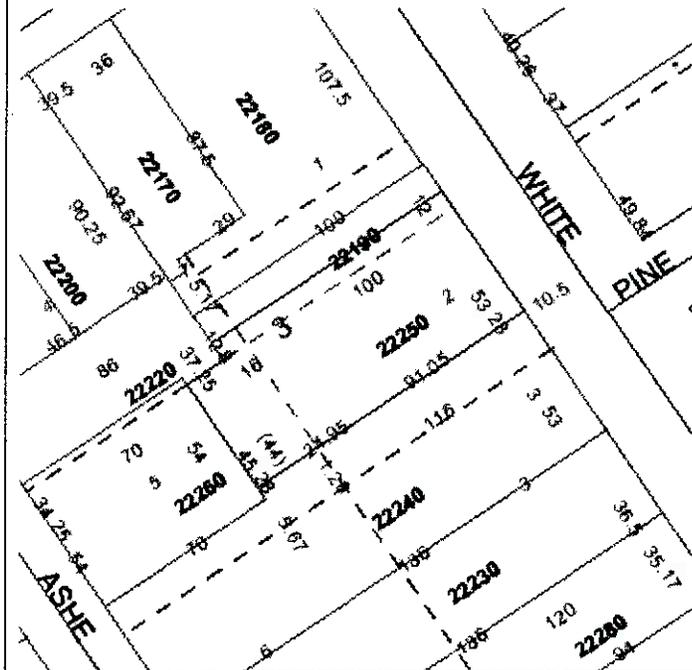
Address:	420 Southard Street
Alternate Key:	1013048
O.R. Book & Page:	2301 / 550
Legal Description:	KW PT LOTS 2 & 3 SQR 62 G10-343 G38-343/344
Sale Price:	\$1,575,000
Sale Date:	5/07
Sale Conditions:	Arms-length
Building Size:	0
Land Size:	15,380 SF
Land % of Assmnt:	100%
Land \$ Contribution:	\$1,575,000
Indicated Price/SF Land:	\$103



Comparable Sale 3



Address: 818 White Street
Alternate Key: 1023019
O.R. Book & Page: 2145 / 2137
Legal Description: KW PT LOTS 2-5 SQR 3
 TR 6 D3-370 COUNTY
 JUDGE DOCKETT 9-206
 OR361-365/66
Sale Price: \$1,750,000
Sale Date: 8/05
Sale Conditions: Arms-length
Building Size: 3,801 SF
Land Size: 6,032 SF
Land % of Assmnt: 55%
Land \$ Contribution: \$969,089
Indicated Price/SF \$161
Land:

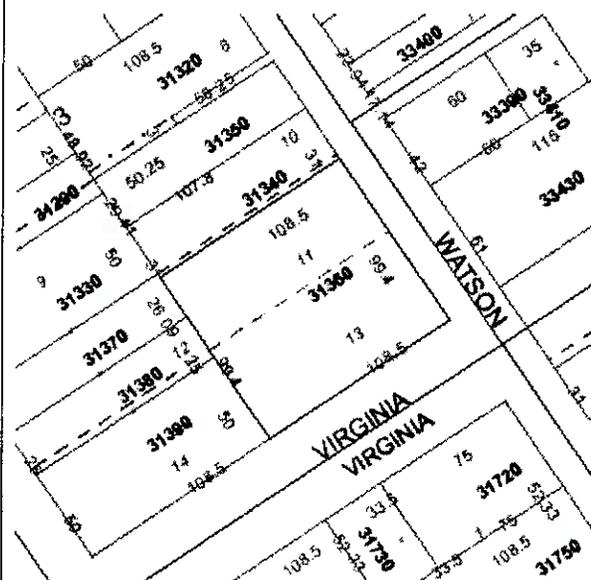


Comparable Sale 4



Address: 1011 Virginia Street
Alternate Key: 1032158
O.R. Book & Page: 2368 / 2010
Legal Description: KW G WATSON SUB I-209 PT LOT 11&ALL LOT 13 SQR 3 TR 13 OR307-460/464

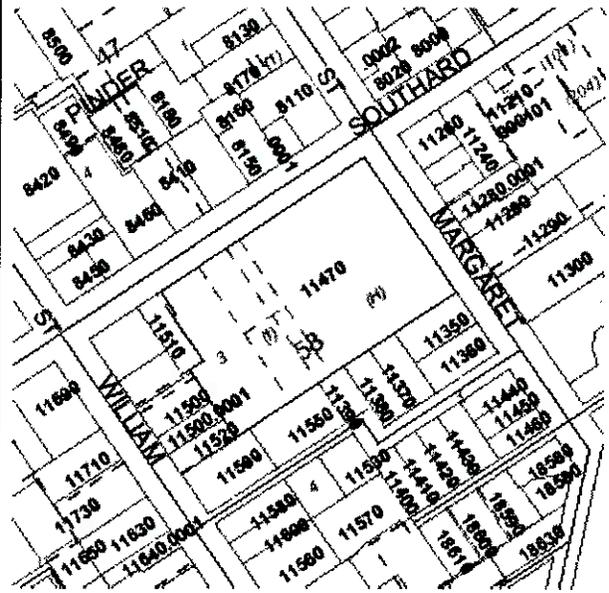
Sale Price: \$1,050,000
Sale Date: 6/08
Sale Conditions: Arms-length
Building Size: 3,937 SF
Land Size: 10,777 SF
Land % of Assmnt: 69%
Land \$ Contribution: \$720,117
Indicated Price/SF Land: \$67



Comparable Sale 5



Address:	808 Southard Street
Alternate Key:	1011771
O.R. Book & Page:	N/A; Listing
Legal Description:	KW PT LOTS 2&3 SQR 58 A2-396 OR2428-2101/05
Sale Price:	\$4,500,000
Sale Date:	8/09
Sale Conditions:	Arms-length
Building Size:	17,615 SF
Land Size:	62,564 SF
Land % of Assmnt:	83%
Land \$ Contribution:	\$3,727,699
Indicated Price/SF Land:	\$60



QUALIFICATIONS OF THE APPRAISER-MICHAEL H. TOUCHTON

Licenses:

- State-Certified General Appraiser, #RZ-2763

Education:

1977-1978	Cosumnes River College Sacramento, CA	Freshman-General Education Courses for Bach/Science; Major Forestry.
1980-1983	American River College Sacramento, CA	Undergraduate Study, B/S Architecture/ Minor - Construction Management.
1994	NMII, Orlando, FL	Principals of Mortgage Purchasing
1998	North Florida Real Estate College	Fundamentals of Real Estate Appraisal
1998	North Florida Real Estate College	Appraisal Math and Statistics, USPAP
1998	McKissock Data Systems	Regression Analysis & Statistics Application
2000	North Florida Real Estate College	Appraisal Course ABII Appraisal Course ABIIB Law
2003	North Florida Real Estate College	Appraisal Course ABIII / ABIIB Law
2004	Appraisal Institute	"Small Hotel/Motel Valuation"
2006	Appraisal Institute	"Real Estate Finance, Value & Investment Performance", "Appraising the Tough Ones"
2008	Appraisal Institute	Litigation Skills for the Appraiser; An Overview

Employment:

<u>Dates</u>	<u>Company</u>	<u>Position</u>
Dec 2003- Present	Florida Keys Appraisal Co, Inc. 101425 Overseas Hwy, No. 821 Key Largo, FL 33037	President/Director commercial appraisals – Monroe, Miami-Dade, Collier, Lee, Broward, Palm Beach, Martin, Highlands and Okeechobee Counties
Oct 2001-Dec 2003	Marr & Associates, Inc. Key Largo, Florida	Commercial Staff Appraiser, responsible for estimating value for designated properties – Monroe County
Feb 2000 – Oct 2001	Palm Beach Appraisers & Consultants, Inc. West Palm Beach, FL	Commercial Staff Appraiser, responsible for estimating value for designated properties throughout Central and South Florida
1998-2000	Preston & Associates, Inc. Ormond Beach, FL	Residential Staff Appraiser responsible for appraisals throughout Volusia, Brevard and Flagler Counties
1997-1998	Harper H. Hadley, SRA Lake City, Florida	Appraisal Assistant – Columbia, Suwannee, Gilchrist, and Hamilton Counties

Types of Properties Appraised:

- Marinas
- Restaurants
- New Construction
- Hotels/Motels
- Commercial/Industrial Warehouses
- Vacant Commercial Land
- Residential Income Properties
- Condominiums
- Rural Acreage
- Vacant Land/Lots
- Foreclosure Properties
- Special Use Industrial Properties
- Mixed-use Properties
- Condemnation Takings

QUALIFICATIONS OF THE APPRAISER
TIMOTHY C. ANDERSEN, MAI
State-Certified General Real Estate Appraiser, RZ0000998

Licenses:

Florida Real Estate Broker, BL0153006
State-Certified General Real Estate Appraiser, RZ0000998
State-Certified General Real Estate Appraisal Instructor GA1000077
State-Certified General Real Estate Instructor 1001958
AQB Qualified USPAP Instructor, #10386

Memberships and Designations

MAI, Appraisal Institute #11315 (October 8, 1997)
MSA, National Association of Master Appraisers, 2002

Education

B.S. Palm Beach Atlantic College - 1976
Major in Business Administration (Minor in Spanish)
Graduate Business Classes: Florida Atlantic University
Palm Beach Atlantic College

Appraisal Courses and Seminars

- ♦ SREA, 101, 102, 201, 202
- ♦ AIREA 1A1, 1A2, 1BA, 1BB, 2-1, 2-1
- ♦ Highest and Best Use Analysis
- ♦ Rates, Ratios and Reasonableness
- ♦ Uniform Standards of Professional
- ♦ Appraisal Practice
- ♦ A Seminar Summarizing the Ad Valorem Tax Process in Florida
- ♦ "The Good, The Bad, and the Board"
- ♦ State Required Continuing Education – 7-Hour USPAP 1998, 1999, 2000, 2001, 2002, 2003, 2004; "Core" Law and 7-hour Residential Construction for appraisers; numerous others
- ♦ Hotel/Motel Valuation
- ♦ Argus
- ♦ The Appraiser as Expert Witness
- ♦ Core Law
- ♦ "Tree Trunk" Appraisals
- ♦ Comprehensive Examination Preparation Course
- ♦ Regression Analysis for Appraisers
- ♦ Numerous other Courses & Seminars

Type of Properties Appraised:

- ♦ Single family homes
- ♦ Townhouses
- ♦ Residential Condominiums
- ♦ Medical Condominiums
- ♦ Duplexes
- ♦ 1-4 Unit apartments
- ♦ Major Apartment Complexes
- ♦ Low-rise Office Buildings
- ♦ High-rise Office Buildings
- ♦ Single Tenant Warehouses
- ♦ Multi-tenant Warehouses
- ♦ Bowling Alleys
- ♦ Vacant Commercial Land
- ♦ Vacant Industrial Land
- ♦ Rights-of-Way
- ♦ Parking Lots
- ♦ Proposed Golf Courses
- ♦ Hotels and Motels
- ♦ Schools
- ♦ Strip Shopping Centers
- ♦ Neighborhood Shopping Centers
- ♦ Regional Shopping Centers
- ♦ Vacant Multi-family Land
- ♦ Vacant Residential Land

Other Qualifications

- ♦ Qualified as an *Expert Witness* in Palm Beach County Circuit Court
- ♦ *Special Master*, Palm Beach County Value Adjustment Board
- ♦ Former *Litigation Appraiser*, Palm Beach County Property Appraiser's Office
- ♦ Former *Ad Valorem Tax Agent*
- ♦ **AUTHOR:** Three seminars approved in the State of Florida for Continuing Education credit
- ♦ **Instructor:** formerly with Gold Coast School of Real Estate and IFREC in Orlando
- ♦ Senior Member **National Faculty**, Lincoln Graduate Institute; currently instructor for the Appraisal Institute
- ♦ AQB qualified USPAP instructor