

**TOWN OF DAVIDSION  
APPRAISAL REVIEW SUMMARY**

**Property Description:** Tract of vacant land along Beaty and Shearer Streets, Davidson, Mecklenburg County, North Carolina 28036

**Property Owner:** Town of Davidson

**Tax Parcel Numbers:** 00326302, 00326303, 00326398, 00328402, 00328403, 00328406



**Appraisers:** Carol Lomax Fortenberry, MAI; William D. Foster  
**Appraisal Company:** Fortenberry Lambert, Inc.  
**Contact Number:** (704) 375-1032

**Appraisers:** Thomas B. Harris, Jr., MAI, CRE, FRICS; Allan E. Reich  
**Appraisal Company:** T. B. Harris Jr. & Associates  
**Contact Number:** (704) 334-4686

**Appraisers:** John T. Bosworth, MAI, SRA; Scott Carlisle  
**Appraisal Company:** Valbridge Property Advisors/John Bosworth and Associates  
**Contact Number:** (704) 376-5400

**Effective Dates of Value:** August 4, 2017 (Fortenberry Report)  
July 26, 2017 (Harris Report)  
August 7, 2017 (Bosworth Report)

**Dates of Inspection:** August 4, 2017 (Fortenberry Report)  
July 26, 2017 (Harris Report)  
August 7, 2017 (Bosworth Report)

*Although the effective dates of value vary slightly between the appraisals, all were within a few days of each other and the reviewer believe market conditions were similar. Therefore, the effective dates of value being different did not impact the market value conclusions.*

**Dates of Report:** September 19, 2017 (Fortenberry Report)  
September 21, 2017 (Harris Report)  
August 9, 2017 (Bosworth Report)

**Highest and Best Use:**  
As Vacant – Mixed-Use (Fortenberry Report)  
As Vacant – Mixed-Use (Harris Report)  
As Vacant – Mixed-Use (Bosworth Report)

**Does Report Meet Factual Data Requirement? (Yes or No)** Yes (Fortenberry Report)  
Yes (Harris Report)  
No (Bosworth Report)

**Are the Value Conclusions Reasonable (Yes or No)**

Yes (Fortenberry Report)  
Yes (Harris Report)  
No (Bosworth Report)

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**Intended User, Intended Use & Purpose of the Review:** The intended user of this review report is Ms. Dawn Blobaum, Town of Davidson, 216 South Main Street, Davidson, NC 28036. The intended use is for internal use as it relates to the sale of the subject property. The purpose of this review is to determine the reasonableness of the results reported in the defined appraisals and consistency of the scope of work stated in the appraisals. This review is not intended for any other use or purpose.

**Purpose of the Appraisal:** The purpose of the appraisals under review is to estimate the as is market value of the subject property. *No additional instructions were divulged in any appraisals contrary to appraising the as is value. All three appraisals reflect the “as is” value is being provided.*

**Scope of the Review:** The review appraiser has conducted a review of the referenced appraisals to determine completeness within the stated scope of work described in the reports for the intended user and use. The appraisals were reviewed for apparent adequacy of data, relevance to the market and appropriateness of all related adjustments and conclusions based on the information contained within the report. The reports were also reviewed for mathematical correctness and consistency with attached surveys. This review is conducted to develop an opinion of the quality and accuracy of the appraisals that are the focus of this assignment. The reviewer contacted the appraisers engaged by the Town of Davidson (Fortenberry and Harris) and requested revisions to include corrections of typographical errors and providing additional explanation/support within the reports. Both appraisers provided revised reports and the latest versions of the reports are the subject of this review. The reviewer did not contact Mr. Bosworth as he was not engaged by the reviewer’s client (Town of Davidson).

No value opinion is included in this review and the reporting content and scope of the review is set forth as outlined in USPAP Standard Rules 3-5 (a) – (h). No search for additional comparable data was developed and no attempt was made to further verify the comparable sales data shown in the appraisals. The reviewer acknowledges that the appraisal reports at hand are being presented in a summary format with supporting documents retained in the file.

I did not personally inspect the property under review; however, exhibits were included in the appraisal reports and referenced during the review.

**Extraordinary Assumption/Hypothetical Conditions of Appraisal Reports:**

**Fortenberry Report:** None

**Harris Report:** None

**Bosworth Report:**

It is assumed the estimated land areas, which were based on the provided site plan, are correct. If not the appraisers reserve the right to amend the report.

It is further assumed the planned development is a legal use, as the largest parcel of the subject was sold to the town of Davidson with the verbal agreement that the land be used for park or public use. However this was not recorded as a deed restriction or covenant. Therefore, for the purposes of this appraisal, the proposed use is assumed to be a legal use. The value is further based on the assumption of an approved development land, as provided to the appraisers.

**Subject Property:** The subject consists of six, contiguous tax parcels that form an irregular shaped tract of land. According to the Fortenberry and Harris, the site contains a total of 19.09 acres. Bosworth reports the land area as 20.825 acres. Primary access is provided by frontage along Beaty Street with additional access and frontage along Shearer Street and Hobbs Street. The site has rolling topography and no portion is located within a designated flood plain. The site has access to all public utilities. The site has two zoning classifications according to the Fortenberry and Harris Report that include NC-I, Neighborhood Center I (15.01 acres) and VI, Village Infill (4.08 acres). *The Bosworth Report incorrectly identifies the subject as having only one zoning classification of NC-I. Incorrectly identifying the zoning classification of the subject may impact the final value conclusion. It should also be noted that a different land area was used in the Bosworth Report in comparison to the Fortenberry and Harris Reports. Tax records were the source for the land area within the Fortenberry and Harris Reports and totaled 19.09 gross acres. The land area within the Bosworth Report was determined to be larger at 20.825 gross acres. The reviewer understands the land area in the Bosworth Report was based on the site plan within the report and its accuracy is unknown. The Bosworth Report further divided the site into useable and unusable acreage and the accuracy of that data is also unknown.*

**History of the Subject Property:** There has been no change in ownership within the past three years. The subject is not listed for sale, nor is it under contract.

**Highest and Best Use:** The highest and best use of the subject site was determined by all appraisers to be mixed-use development to include multifamily residential and commercial uses.

**Valuation Methodology:** The subject is improved with two, older, single-family dwellings that have not contributing value, except possibly on an interim use basis. Therefore, the site was appraised as vacant land.

**Valuation Method – Sales Comparison Approach – Fortenberry Report**

As detailed in the highest and best use portion of the appraisal report, the highest returns were determined to be for mixed use development, primarily multi-family with a small commercial component. The appraisers analyzed three comparable sales, which were all located in the

northern portion of Mecklenburg County within Huntersville or North Charlotte. The sales occurred from February 2015 to December 2016 and ranged in size from 14.70 to 39.13 acres. The sales were analyzed on a per acre basis, which is appropriate for larger tracts of undeveloped land. Prior to adjustment, the sales ranged from \$70,253 to \$168,133/acre or a range of 139%. No adjustments were applied for property rights, financing terms, conditions of sale or market conditions. However, adjustments were applied for expenditures after the sale (demolition costs) and physical characteristics. After adjustments, the sales ranged from \$88,065 to \$93,837/acre, a reduced range of 6.6% with an average adjusted sale of \$91,439/acre or a median of 92,474/acre. Emphasis was placed on Sale 3, which reflected an adjusted value of \$93,837/acre. The appraisers correlated near this sale at \$93,000/acre. Based on 19.09 acres, the estimated value is \$1,775,370. There are two, older single-family residences that total about 2,550 square feet. Based on demolition costs of \$4 per square foot, the total costs are \$10,200, which is deducted from the estimated land value for a total estimated value of \$1,765,170 rounded to \$1,765,000.

**Valuation Method – Sales Comparison Approach – Harris Report**

As detailed in the highest and best use portion of the appraisal report, the highest returns were determined to be for mixed use development, primary multi-family (medium to high density) with a commercial component as allowed by zoning. The appraisers analyzed four comparable sales, two of which were located in the northern portion of Mecklenburg County within Huntersville or North Charlotte. One sale was located in Mooresville and one sale in Kannapolis. The sales occurred from June 2015 to November 2016 and ranged in size from 13.0 to 21.46 acres. The sales were analyzed on a per acre basis, which is appropriate for larger tracts of undeveloped land. Prior to adjustment, the sales ranged from \$88,118 to \$225,076/acre or a range of 155%. No adjustments were applied for property rights, financing terms or conditions of sale. However, adjustments were applied for market conditions (2015 sales only) and physical characteristics. After adjustments, the sales ranged from \$95,796 to \$105,336/acre, a reduced range of 10% with an average adjusted sale of \$98,366/acre. Emphasis was placed on all sales and the appraisers correlated near the mean at \$100,000/acre. Based on a land area of 19.09 acres, the resulting land value was \$1,909,000, rounded to \$1,910,000. No demolition for the existing improvements was deducted. The reviewer assumes interim income (rental of dwelling) offset demolition costs, which is a common practice used by appraisers.

**Valuation Method – Sales Comparison Approach – Bosworth Report**

As detailed in the highest and best use portion of the appraisal report, a specific site plan was used in valuing the subject. The site plan included a mixture of uses to include retail, residential and a hotel. The appraisers analyzed six comparable sales, which were located in Huntersville, Mooresville and Cornelius. Three of the sales were listed as having a proposed use of multifamily and three sales with a proposed use of commercial/retail/office. The sales occurred from March 2014 to February 2016 and ranged in size from 1.551 to 18.83 acres. The sales were analyzed on a per acre basis, which is acceptable. Prior to adjustment, the sales ranged from \$201,806 to \$467,033/acre or a range of 131%. No adjustments were applied for property rights, financing terms or conditions of sale. However, adjustments were applied for market conditions and physical characteristics. After adjustments, the sales ranged from \$265,278 to \$486,955/acre, a reduced range of 84% with an average adjusted sale of \$379,377/acre. Emphasis was placed on Sale 2 in determining value for the multifamily land and Sale 4 was given credence in valuing the retail land. Based on this reasoning, a value of \$475,000/acre was assigned to the retail land

and \$300,000/acre was assigned to the remaining components (hotel, multifamily, unusable and undevelopable). The undevelopable land was reduced to 50% of the value of the useable land or \$150,000/acre and the unuseable land was reduced to 10% of the value of the useable land or \$30,000/acre. Based on the various areas as set forth on the site plan included in the Bosworth Report, the resulting value was \$4,605,950, rounded to \$4,600,000. *No demolition for the existing improvements was deducted. The reviewer assumes interim income (rental of dwelling) offset demolition costs, which is a common practice used by appraisers.*

### **Reviewer's Conclusion (Sales Comparison Approach)**

***Bosworth Report*** – The value conclusion by the Bosworth Report at \$4,600,000 was derived by assigning a different per acre value to various components of an unapproved site plan within the appraisal. It is the opinion of the reviewer the value conclusion within the Bosworth Report is not reasonable or supported based on a variety of errors and USPAP violations which are set forth in the following sections.

It is the reviewer's understanding the site plan set forth in the Bosworth Report is only one of various plans submitted to the Town of Davidson of which none have been chosen or approved. Valuing the subject based on an unapproved site plan is a hypothetical condition. The hypothetical condition should have been reported per ***USPAP (Uniform Standards of Professional Appraisal Practice 2016-2017)***. It is the reviewer's opinion when using a hypothetical condition an "as is" value cannot be accurately reported. The definition of a hypothetical condition per ***USPAP*** and the related comment area as follows:

**HYPOTHETICAL CONDITION:** a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

**COMMENT:** Hypothetical conditions are 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.

***USPAP 2-1 (g) identify any hypothetical conditions necessary in the assignment***

***USPAP 2-2 (xi) - clearly and conspicuously: state all extraordinary assumptions and hypothetical conditions; and state that their use might have affected the assignment results***

The zoning is incorrectly reported as NC-1, Neighborhood Commercial; however, the subject site has dual zonings. Zoning impacts legally permissible uses and impacts the adjustments made to comparable sales and can impact value conclusion, as well as the determination of highest and best use. The appraisal did not properly identify the legal characteristics of the subject.

***USPAP 1-2 (e) (i) identify the characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal - its location and physical, legal, and economic attributes***

***USPAP 2-2 (iii) - summarize information sufficient to identify the real estate involved in the appraisal, including the physical, legal, and economic property characteristics relevant to the assignment***

The value is based on a site plan that includes multi-family, retail and a hotel site. However, within the highest and best use of the report (pages 28-29) there is no support that the site plan and the various uses are the highest and best use of the site. For example, is a hotel a legally permissible, physically possible, financially feasible or maximally productive use of the site? The section identified within the Bosworth Report as “Highest and Best Use” is merely “boiler plate” and general statements and has no substantive analysis.

***USPAP 3-1 (b) – develop an opinion of the highest and best use of the real estate.***

***USPAP 2-2 (x) - when an opinion of highest and best use was developed by the appraiser, summarize the support and rationale for that opinion***

The first three sales within the grid were tracts purchased for multifamily development and the last three were purchased for some type of commercial use or medical office use. There is a multitude of errors with the analysis to include the following: the zoning of the comparables was adjusted against the incorrect zoning for the subject (as discussed earlier); smaller commercial sites being used to value a much larger mixed-use site that has not been subdivided; applying the multifamily land value of \$300,000/acre to the hotel site, which does not seem logical as a hotel is a retail use, not a multifamily use; no support for the 50% of market value for the “undevelopable” land and 10% of market value for the “unusable” land and no support for why the multifamily land value at \$300,000/acre was used to value the undevelopable and unusable acreage in comparison to \$475,000/acre.

Overall, the appraisal is flawed and is more indicative of the aggregate value of the various components of a mixed use development, but is not reflective of the market value of the subject as is. Assigning a value to various components within a mixed use tract is an acceptable appraisal procedure; however, it is only one part of the analysis. The first step would be to prove within the highest and best use that the site plan meets the four criteria for highest and best use. Then after assigning a retail value to the various tracts using the appropriate sales for each component, the appraiser would then be required to deduct development costs that would include hard (infrastructure – on and off site) and soft (professional fees, legal fees, rezoning costs, etc.) along with entrepreneurial profit. Next, the cash flows would be discounted based on the absorption period in which to sell the various tracts based on market derived data. The Bosworth Report did not reflect development cost or take into consideration absorption or the time value of money (discounting).

***USPAP 1-1 (a) - In developing a real property appraisal, an appraiser must: be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal***

It is the opinion of the reviewer that the Bosworth Report is not **USPAP** compliant for the various reasons outlined previously. The report is misleading as it did not prominently report the

value was based on an unapproved site plan via a hypothetical condition and then referenced the value as the “as is” value. Furthermore if an as is value was going to be determined via a cash flow method, it must consider costs associated with developing a mixed-use project similar to the one included in the appraisal report and must set forth an adequate highest and best use analysis based on the specific development plan. The reviewer does not believe the appraisal techniques used within the Bosworth Report yielded a reasonable or supported value conclusion.

***Fortenberry and Harris Reports*** - The final value conclusion within the Fortenberry Report was \$1,765,000, as compared to the Harris Report at \$1,910,000, which is a range of approximately 8%. Appraising is an opinion and not an exact science and it is acceptable to report values as a range. The value range of \$1,765,000 to \$1,910,000 appears to be reasonable and supported based on the sales and analysis within both the Fortenberry and Harris Reports. Both reports included sales of larger tracts with similar highest and best uses. The majority of the sales in both reports were located in Northern Mecklenburg County. Proximity of the sales to the subject is meaningful, but more relevant is the similarity of the sales data in reference to physical attributes to include size, zoning and highest and best use. The adjustments made in both the Fortenberry and Harris Reports appeared reasonable and the range in value after adjustments was tight. The range both before and after adjustments is an indication of the sales comparability to the subject. A large range after adjustments weakens the validity of the value conclusion and can indicate some of the sales were not good comparables or the sales were adjusted incorrectly. The conclusion of the price per acre in both the Fortenberry and Harris Reports was reasonable and well supported by their respective adjustment grids. Based on an analysis of both reports, it is the opinion of the reviewer that the market value range indicated by the Fortenberry and Harris Reports is more reasonable and supported at **\$1,765,000 to \$1,910,000**.

**CERTIFICATION**

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

1. The facts and data reported by the reviewer and used in the review process are true and correct
2. The analyses, opinions and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and the work under review and no personal interest with respect to the parties involved with this assignment.
4. I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
6. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this review.
7. The review analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
8. My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the *Uniform Standards of Appraisal Practice*.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. I did not personally inspect the subject property of the report under review.
11. No one provided significant professional assistance to the person signing this review certification.
12. As of the date of this review, I have completed the continuing education program of the Appraisal Institute.
13. That my review conclusion has been reached independently and is based on the appraisal and other factual data available without collaboration or direction.
14. This is not a separate appraisal of the subject property, but a review of the attached appraisals.
15. I have performed no services, as an appraiser or reviewer, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
16. The value opinion and the conclusions stated in the Fortenberry and Harris appraisal reports is well supported and reasonable based on the data and analysis presented. The value opinion and the conclusions stated in the Bosworth Report are not well supported or reasonable based on the data and analysis presented.



*Carol H. Ray*  
Carol H. Ray, MAI, AI-GRS

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**Date:** September 27, 2017