

# **LAMPE, ROY & ASSOCIATES, INC.**

APPRAISERS - CONSULTANTS

1912 Hamilton Street, Suite 204

Jacksonville, FL 32210

(904)388-7020

Fax (904)388-9298

Email: [ira@lamperoy.net](mailto:ira@lamperoy.net)

## **MEMO**

**To:** Tracy S. Drake, CFA, CAE, ASA, RES, AAS  
Property Appraiser  
Office of the Clay County Property Appraiser

**From:** Michael C. Roy, MAI, SRA  
State Certified General Real  
Estate Appraiser No. RZ140

**Topic:** Clay County Port Property

**Parcel:** 38-06-26-016453-000-00

**Date:** May 26, 2023

### ***Subject Property:***

The subject consists of the former Lee Field Naval Air Station Green Cove Springs located along the north and south sides of State Road 16 in Green Cove Springs. The Navy began acquiring the property via a series of condemnation suits starting in June 1940 and used it until the early 1960s. During World War II, the Navy and Marines used it to train pilots. The property included extensive docking facilities, a railroad system, multiple aircraft runways, and supporting structures. There were four 5,000-foot runways, one of which (523) is still active.

According to the Multi-HTRW (Hazardous, Toxic, and Radiologic Waste) Site Investigation Report Former Lee Field Naval Air Station Green Cove Springs, Florida prepared for CESAS-CT-E US Army Corps of Engineers South Carolina Division Savannah Georgia dated March 2004:

*“Construction of the base began in August 1940. The original facility consisted of the four runways, sixteen buildings, one small arms range and two high explosives magazines, a hangar and control tower, and a gasoline storage and distribution system. The field was completed in March 1941 and dedicated as Benjamin Lee II Field. The base was designated as a Naval Auxiliary Air Facility (NAAF) to the Jacksonville Naval Air Station. Its mission was to conduct flight training for student naval aviators. In 1943, the NAAF was redesignated as a Naval Auxiliary Air Station (NAAS) and a semi-independent station.*”

*In December 1945, the LFNAS received a new mission and was established as US. Naval Station, Green Cove Springs. Its new mission was the mothballing of ships of the inactive fleet. The Navy acquired 111.44 acres along the St. Johns River waterfront (20.34 acres of filled land and 91.1 acres of submerged land) and began construction of eleven 1,800 foot piers in 1946. Construction of the piers was completed (in) 1947. The base served as a ship mothball and refurbishing facility until 1962. At one time, as many as 600 vessels were berthed at the piers.*

*The Navy began considering possible disposal of excess property at Green Cove Springs in 1955. The Chief of Naval Operations deactivated Naval Station Green Cove Springs effective December 31, 1959, and transferred all functions and properties to the Florida Group, Atlantic Reserve Fleet on January 1, 1960. The Florida Group was scheduled for deactivation on June 30, 1962.*

*The property and improvements were declared excess by the US. Navy and were sold to the City of Green Cove Springs in September 1963. In July 1965, the city of Green Cove Springs sold the property to J. Louis Reynolds and assigned several leases to the new owner. There were few tenants and the property deteriorated until the early 1980s.*

*In 1981, Clay County Port, Inc. acquired the industrial park property (LFNAS) and continued the site development. The property was annexed by the city of Green Cove Springs in August 1984, and upgraded water, sewer, and electrical services were expanded to the industrial park. Businesses currently and/or formerly operating at the LFNAS include a railroad car refurbisher, a small shipbuilding facility, truck driver training school, aircraft maintenance facility, automobile brake testing facility, fiberglass pipe manufacturing plant, an airstrip for small airplanes, and a public golf course. Future land use at the LFNAS is expected to remain industrial and commercial.”*

***Land Size:***

The subject consists of a large irregular shaped tract situated along the north and south sides of State Road 16 and the east side of US 17 in Green Cove Springs. Investigation reveals that there are several acreage figures associated with the property. A summary of these is provided below:

***Clay County Property Appraiser’s Office***

According to the Property Appraiser’s records, the subject’s land is divided into the following categories:

Light manufacturing	407.86
Commercial	344.27
Natural Mix 70/79	146.26
Timber 70/79	99.66
Natural Mix 60/69	96.64
Natural Mix 90+	57.98
Natural Makes 80/89	43.10
Timber 80/89	20.25
Wet/Hardwood-AG	185.27
Submerged Land	<u>230.58</u>
	1,631.87

According to a survey by Eiland & Associates, Inc. (Job Number 41483-B) amended June 10, 2020, the property contains 1,551.4 acres and is summarized as follows:

	<b>Total</b>	<b>Wet</b>	<b>Up</b>
<b>River Bottom</b>	322.65	322.65	0.00
<b>North of 16</b>	155.61	5.08	150.53
<b>South of 16</b>	986.94	522.52	464.42
<b>South of Expressway</b>	57.18	31.25	25.93
	21.88	14.30	7.58
<b>North of Expressway</b>	<u>7.14</u>	<u>0.00</u>	<u>7.14</u>
	1,551.40	895.80	655.60
<b>Per Cent of Total</b>		57.7%	42.3%

It is important to recognize that of the 150.53 acres of uplands located north of State Road 16, the ACOE's Multi-HTRW Site Investigation Report indicates that 20.34 acres (13.6%) along the waterfront are filled land. Conversations with the owner's representative indicate that no soil or subsoil engineering studies have been undertaken to determine the suitability of this material for intense development.

Of the acreage figures listed above, the two sites located south of the expressway are essentially landlocked by the Florida Department of Transportation's acquisition for the new bridge crossing the St. Johns River east the subject.

Another exhibit for the subject prepared by Peacock Consulting Group and dated January 2022 indicates a total of 1,545.804 acres but the allocation between uplands (954.713 acres) and wetlands and other surface waters (673.187 acres) total 1,627.9 acres or 82.096 acres different.

All of the exhibits indicate that the majority of the property located along the southwest side of the property, i.e., between the industrial development and airport and US 17, are classified as wetlands.

**Buildings:**

According to the rent roll provided by the owner's representative, there are 77 buildings totaling 723,208 gross square feet that are being leased/used.

The Property Appraiser's Office indicates there are 97 buildings containing 748,719 square feet, some of which were originally constructed in 1940. These range in size from 64 to 76,057 square feet. The majority of these buildings are located on the main portion of the property situated along the south side of State Road 16. These buildings include wood frame, brick, concrete, concrete block, and metal construction and are used for a variety of industrial uses.

**Infrastructure:**

The property had on-site sewer and water treatment plants which were originally constructed by the Navy. As part of the annexation agreement with the City of Green Cove Springs dated August 21, 1984, the owner of the property conveyed "*all of the equipment, fixtures and other tangible personal property being a part of or used in the operation of its electrical distribution system, water system (less and except well No. 5 and so much of the water system as is used exclusively for irrigation of the golf course) and sewer: collection and treatment system (collectively referred to as "Utility Systems") as more particularly set forth on Exhibit B.*" And a deed "*to the City granting and conveying with a special warranty of title the fee simple interest in a part of the Real Estate upon which certain elements of the Utility 2 Systems are located as more particularly described on Exhibit C.*" This agreement also included the sewer treatment plant, lift stations, sewer lines, overflow drainage ditch and treatment plant discharge line, and the associated easements.

It also included the electrical transmission lines and related facilities to operate, maintain, remove, or replace them.

In addition, it committed to grant any reasonable request by the park to extend utility to additional locations within the Park at the cost of the landowner.

Green Cove Springs is responsible for the cost of extending electrical distribution lines within the park and the installation of a meter with the latter being paid for by the landowner.

The roads within the park are owned and maintained by the property owner.

The Florida Department of Transportation acquired 189.217 acres from this property for the construction of the First Coast Expressway. This is a limited access facility which creates two properties situated on the east side of the roadway that will have limited if any access. The larger of these two contains 57.18 acres of which 31.25 acres are classified as wetlands. The second area is triangular in shape and contains 21.88 acres of which 14.3 acres are classified as wetlands. This facility will connect I-10 to the northwest to I-95 to the east and will involve the construction of a new bridge over the St. Johns River in the area of the existing Shands Bridge.

It is important to note that any compensation for this acquisition should not be construed as representing market value. This figure would also include any damages to the remainder, such as landlocking the two sites mentioned above, additional funds paid for the owner’s costs for certain expenses, additional funds to help avoid litigation costs, funds to ensure that the road and bridge project stay on schedule, etc.

**Historic Residential Construction Permit/Sales Data:**

Since one of the potential development scenarios for the subject is for a mixed-use development that would include a significant residential portion, data was gathered relating to the area’s population growth since the 2000 Census and estimates for the 2023 to 2027 timeframe. This information is provided as follows:

**Population**

<u>Year</u>	<u>Clay</u>	<u>Duval</u>	<u>Nassau</u>	<u>St. Johns</u>	<u>Total</u>
2000	140,814	778,879	57,663	123,135	1,100,491
2010	190,865	864,263	73,314	190,039	1,318,481
2020	218,245	995,567	90,352	273,425	1,577,589
2022	223,799	1,024,146	94,675	297,339	1,639,959
2027	231,753	1,055,567	103,618	336,109	1,727,047

**Population Increase**

<u>Year</u>	<u>Clay</u>	<u>Duval</u>	<u>Nassau</u>	<u>St. Johns</u>	<u>Total</u>
2010	50,051	85,384	15,651	66,904	217,990
2020	27,380	131,304	17,038	83,386	259,108
2022	5,554	28,579	4,323	23,914	62,370
2027	7,954	31,421	8,943	38,770	87,088

In addition, information was also gathered relating to household formation over this same timeframe.

### Households

<u>Year</u>	<u>Clay</u>	<u>Duval</u>	<u>Nassau</u>	<u>St. Johns</u>	<u>Total</u>
2000	50,243	303,747	21,980	49,614	425,584
2010	68,792	342,450	28,794	75,338	515,374
2020	78,939	399,759	35,919	104,640	619,257
2022	80,920	411,889	37,727	113,401	643,937
2027	83,748	425,439	41,445	127,425	678,057

### Household Increase

<u>Year</u>	<u>Clay</u>	<u>Duval</u>	<u>Nassau</u>	<u>St. Johns</u>	<u>Total</u>
2010	18,549	38,703	6,814	25,724	89,790
2020	10,147	57,309	7,125	29,302	103,883
2022	1,981	12,130	1,808	8,761	24,680
2027	2,828	13,550	3,718	14,024	34,120

Information was also gathered from the Northeast Florida Builders Association relating to the number of residential permits issued in Clay County along with Duval, Nassau, and St. Johns Counties as they form the primary competition for residential development in Northeast Florida. This information is included on the following summary chart:

Analysis of this information reveals that Clay and Nassau Counties have historically issued the fewest number and per cent of building permits for the four-county area. This is mainly a result of the lower populations and lack of infrastructure.

The following is an analysis of the number of permits issued per 1,000 persons increase in the population.

### Permits

<u>Period</u>	<u>Clay</u>	<u>Duval</u>	<u>Nassau</u>	<u>St. Johns</u>	<u>Total</u>
2001-2010	15,854	46,141	7,811	23,360	93,166
2011-2020	8,714	28,328	6,616	32,073	75,731
2021-2022	<u>3,634</u>	<u>11,695</u>	<u>3,002</u>	<u>11,609</u>	<u>29,940</u>
	28,202	86,164	17,429	67,042	198,837

**Permits/1,000 People Increase**

<u>Period</u>	<u>Clay</u>	<u>Duval</u>	<u>Nassau</u>	<u>St. Johns</u>	<u>Total</u>
2001-2010	316.76	540.39	499.07	349.16	427.39
2011-2020	318.26	215.74	388.31	384.63	292.28
2021-2022	654.30	409.22	694.43	485.45	480.04
<b>Average</b>	429.77	388.45	527.27	406.41	399.90

This information reveals that between 2001 and 2022, Clay County issued 28,202 residential building permits for an average of 2,350 per year. The majority of these were issued in the 2001-2010 timeframe (56.2%) with 2011-2020 averaging 871 per year.

The data also shows that between 2001 and 2020 Clay County issued 317 permits per 1,000 persons increase in the population. During the 2021 to 2022 timeframe, this rate of number of permits issued per 1,000 persons increase escalated to 654, more than twice the 20-year average. This dramatic increase, without a significant increase in the estimated population growth would indicate a potential for serious overbuilding.

Closer analysis of this information reveals that in 2021 and 2022 there was a dramatic increase in the number of permits issued in Clay and Nassau Counties and that it greatly exceeded the areawide ratio for 2011 through 2020 as well as the 2001 to 2010 timeframe which saw a dramatic increase in permits in the first seven years of this period.

Using the average number of permits per year over the entire timeframe (429.77) and the estimated population increase forecast from 2023 to 2027 (7,954) would indicate 3,418 permits would be issued during those five years  $((7,954/1,000)*429.77)$ . If the 2021 to 2022 average is used (654.30), a total of 5,204 permits would be issued.

A similar analysis was undertaken relating to the number of permits issued per 1,000 household increase:

**Permits**

<u>Period</u>	<u>Clay</u>	<u>Duval</u>	<u>Nassau</u>	<u>St. Johns</u>	<u>Total</u>
2001-2010	15,854	46,141	7,811	23,360	93,166
2011-2020	8,714	28,328	6,616	32,073	75,731
2021-2022	<u>3,634</u>	<u>11,695</u>	<u>3,002</u>	<u>11,609</u>	<u>29,940</u>
	28,202	86,164	17,429	67,042	198,837



**Permits/1,000 Household Increase**

<u>Period</u>	<u>Clay</u>	<u>Duval</u>	<u>Nassau</u>	<u>St. Johns</u>	<u>Total</u>
2001-2010	854.71	1,192.18	1,146.32	908.10	1,037.60
2011-2020	858.78	494.30	928.56	1,094.57	729.00
2021-2022	1,834.43	964.14	1,660.40	1,325.08	1,213.13
<b>Average</b>	1,182.64	883.54	1,245.09	1,109.25	993.24

This analysis indicates that both Clay and Nassau Counties dramatically increased the number of residences constructed per 1,000 increase in households. This would indicate the creation of a surplus supply based upon the anticipated growth in both population and the number of households.

Using the average number of permits per year over the entire timeframe (1,182.64) and the estimated household increase forecast from 2023 to 2027 (2,828) would indicate 3,345 permits would be issued during those five years  $((2,828/1,000)*1,182.64)$ . If the 2021 to 2022 average is used (1,834.43), a total of 5,188 permits would be issued.

It should be noted that both forecasts indicate that based on historical data, between 3,345 and 5,204 permits would be expected to be issued.

In order to use the population and household growth estimates in estimating the potential demand for residential properties, it is necessary to estimate the average size of a household. This information is summarized as follows:

<b>Average Household Size</b>						
<b>Year</b>	<b>Clay</b>	<b>Duval</b>	<b>Nassau</b>	<b>St. Johns</b>	<b>Average</b>	<b>Median</b>
2000	2.76	2.47	2.53	2.49	2.56	2.51
2010	2.77	2.51	2.59	2.44	2.58	2.55
2020	2.73	2.43	2.49	2.58	2.56	2.54
2022	2.73	2.43	2.49	2.59	2.56	2.54
2027	2.74	2.43	2.48	2.61	2.57	2.55

Information was gathered from Clay County Planning Department regarding the number of potential projects and the number of planned single-family residences. This information is provided in the following summary chart.

<u>Project Name</u>	<u>Lots</u>
Cross Creek	998
Bradley Creek	113
The Reservation	27
Willow Springs	150
Harmony Oaks	65
Asbury Place	6
Laurel Grove Estates	56
Anabelle Island	773
Grove Pointe at Oakleaf	234
Plantation Oaks Townhomes	156
North Fork	28
Sugar Leaf Farms	118
Rolling Hills	139
Granary Park	238
Cheswick South	230
Tracey's Cove	8
Foxmeadow	64
Villages of Longbay	140
Jennings Farm	313
Double Branch (FKA Kindewood)	153
Discovery Trails at Oakleaf	12
Dubois Replat	1
Rolling Hills Unit 2	139
Village Park Unit 1C	54
Cedar Run Replat	2
Paloma Place	14
Verbena Parkway Extension No 3	
Fleming Island Trace Replat	3
Creekview Trails Development	525
Kindewood Townhomes	106
Creekwood Trail Area 5	243
Townhomes of Holly Cove	100
Bella Lago Phase 1	238
Robinson Ranch	127
Wilford Preserve Unit 3A and 3B	92
Reinhold Parcel 61	725
Thornbury Place	3
Logan Place	2
Spear Place	3

Jeremy Hollow	26
Zappulla Plat	2
Bailey Place	2
Clay Place	3
Sapphire Springs	237
Black Creek Multi-Family Units	312
Carmel Court Townhomes at Bay Hill Village	35
Branan Field Village Townhomes	92
Old Jennings Road Residential	70
Old Jennings Road Residential	70
Sandridge Hills	190
Tillman Property	171
Challenger Townhomes (Atlantis Pointe)	244
Holstein Crossing	193
Graham North Re-Plat	<u>70</u>
<b>Total</b>	8,115
<b><u>Additional Approved Projects</u></b>	
DR Horton Ayrshire-Rookery	2,750
Governor's Park	<u>4,000</u>
<b>Total</b>	14,865

In addition, this information also indicates that there are 976 multifamily units planned at this time.

Based upon an average household size of 2.74 persons, the number of people needed to utilize the existing supply is estimated as follows:

Planned SFR	14,865
Avg HH Size (2027 Est.)	<u>2.74</u>
Indicated Needed Population	40,730

The anticipated population growth for Clay County between 2023 and 2027 is 7,954. As pointed out earlier, this population growth, based on historical data for the last 22 years would indicate that between 3,345 and 5,204 residential permits would be expected to be issued.

Based on this analysis, it appears that the existing supply of proposed lots is adequate for at least the next five to 10 years assuming that all of the lots are constructed, and no new subdivisions were proposed or built.

According to the Clay County Property Appraiser's Office, the following is a summary of the number of new homes built and sold between 2018 and 2022.

<b>Year</b>	<b>Built</b>	<b>Sold</b>	<b>% Sold</b>	<b>Remaining</b>
2018	889	571	64.2%	318
2019	1,012	634	62.6%	378
2020	1,312	1,025	78.1%	287
2021	1,142	972	85.1%	170
2022	<u>1,417</u>	<u>1,158</u>	<u>81.7%</u>	<u>259</u>
<b>Total</b>	5,772	4,360	75.5%	1,412
<b>Average/Year</b>	1,154	872	75.5%	282

This data shows a dramatic increase in building and sales activity between 2020 and 2022 and that not all houses built in a year are sold in the same year. This can result in additional competition for new subdivisions.

**Land Sales:**

In estimating the subject's current value, two large sales that occurred in December of 2022 were studied.

**Governors Park**

The first consists of the Governors Park project located in the Green Cove area. This 3,284.53-acre site was previously zoned for mixed use including 4,000 single-family homes, 2,000 multi-family units, 840,000 square feet of commercial or retail space, 700,000 square feet of office space, 400 hotel rooms and light industrial. This property sold on December 16, 2022, for \$85,000,000 or \$25,879 per gross acre. Although this property is similar in the type of development, it is larger and does not have the subject's water frontage. Thus, a price per gross acre greater than that indicated by this transaction would be considered appropriate for the subject. This would be reduced when compared to the subject due to the following items:

1. The unknown cost to clean the subject's contamination in the silt along the river.
2. The costs to either repair or demolish the existing pier system that was originally constructed in the 1940s and has recently experienced large sections that have collapsed.

3. A 20-acre portion of the waterfront consists of fill material, the stability of which is unknown as is the condition of the bulkheading that secures it.
4. Demolition costs for industrial buildings that may need to be removed for better development potential of the property.
5. Potential costs to remove any rail spur that is located in areas to be developed with non-industrial uses.
6. The necessity to extend sewer and water throughout the subject.
7. Time and cost delays to obtain permits and construct sewer and water plants to handle the anticipated demand by development.

It is also important to recognize that the recent purchaser has not announced any start dates for the project.

### **Saxum**

The second sale consists of approximately 816 acres of industrial land located north of Jacksonville International Airport. This site sold for \$14,496,912 or \$17,766 per gross acre. According to information obtained in conjunction with this sale, the property contains approximately 300 upland acres, and the price was based on a price per upland acre. Based on this, a price of approximately \$48,300 per upland acre is indicated. If analyzed on a gross basis, this sale would be expected to indicate a value lower than the subject because of its lack of waterfrontage and industrial nature. Its upland/wetland ratio is similar to the subject (65.2% versus the subject's 57.7%) and sewer and water were not readily available at the time of sale and are expected to take several years to get adequate capacity.

Like the Governor's Park sale, this property is superior to the subject in that it doesn't have the contamination and demolition costs.

### **Issues to be Addressed in Conjunction with Developing Subject:**

Although the subject has extensive waterfront and good access which is enhanced by the construction of the First Coast Expressway, there are several items that need to be addressed before development could be expected to proceed.

1. There are numerous leases, both commercial and industrial, that would need to be addressed in order to demolish the existing improvements.
2. It may be necessary to remove sections of the rail spur serving the property in order to make the best use of the property.

3. As pointed out in the Army Corps of Engineers report, 20.53 acres of the water frontage consists of filled land.
  - a. No engineering studies have been conducted to determine the suitability of this material for multistory construction.
  - b. The condition of the bulkhead in this area and its suitability for multistory construction is also unknown.
4. According to the owner, the silt in the area of the existing docks is contaminated and would require excavation. The amount of material that would need to be removed has not been quantified nor has the anticipated cost.
  - a. Preliminary discussions indicated a potential cost of \$40,000,000. Part of this will in all likelihood be funded by outside sources.
5. As indicated on several occasions, most recently in April 2023 when 300 feet of Pier 9 collapsed into the river, the condition of the existing piers will need to be explored and either repaired or demolished.
  - a. Demolition of piers, between \$800,000 to \$1,000,000 per pier or approximately \$12,000,000.
  - b. The functional utility of the existing configuration will also need to be explored as it relates to more residential/recreational use.
6. It will be necessary to rezone the property from the present industrial category to the various zonings required for a mixed-use development. (Based on conversations with representatives of the owner and the City of Green Cove Springs, this is not anticipated to be a difficult transition.)
  - a. This is not expected to occur until the market supports residential development.
7. The infrastructure serving the property, i.e., sewer and water lines and plants, and the majority of the electrical transmission system were originally constructed in the early and mid-1940s. As such, their location and condition would in all likelihood not be suitable for a large mixed-use development.
  - a. In conjunction with this, it will be necessary to construct new sewer and water plants to handle the anticipated demand generated by a project of this size. A conversation with a representative of JEA and an engineer indicated that the typical time from planning to construction for sewer and water facilities is approximately four to five years.
  - b. Cost for sewer plant is about \$40/gallon per day, assuming 1,500,000 gallons per day = \$60,000,000.

c. Cost for water plant at @ \$20/gallon with 2,500,000 gallons per day = \$50,000,000.

8. Large number of already planned residential lots.

9. Low anticipated population growth.

10. Waiting for completion of First Coast Expressway and new bridge.

**Impact of Delayed Development:**

Based upon an analysis of the preceding historical data, it does not appear that the market is sufficient at this time to warrant the immediate development of the subject as a mixed unit project. As such, any purchaser of the property would be looking at the future value when development is anticipated and discounting that figure back to a present value. Under this premise, it is necessary to estimate the appropriate discount rate. This information was gathered from *RealtyRates.com* and is summarized as follows:

<u>Year</u>	<u>Qtr</u>	<b>Subdivisions &amp; PUD Mixed Use</b>					
		<u>Actual</u>	<u>National Pro-forma</u>	<u>Average</u>	<u>Florida/Caribbean</u>		
					<u>Actual</u>	<u>Pro-forma</u>	<u>Average</u>
2022	1st						
	Minimum	13.58%	13.04%	13.31%	21.61%	20.75%	21.18%
	Maximum	46.35%	44.50%	45.43%	46.35%	44.50%	45.43%
	Average	30.11%	30.06%	30.09%	31.26%	30.01%	30.64%
	2nd						
	Minimum	13.58%	13.04%	13.31%	21.61%	20.75%	21.18%
	Maximum	46.42%	44.56%	45.49%	46.42%	44.56%	45.49%
	Average	30.15%	30.09%	30.12%	31.29%	30.04%	30.67%
	3rd						
	Minimum	14.24%	13.67%	13.96%	22.66%	21.76%	22.21%
	Maximum	47.57%	45.66%	46.62%	47.57%	45.66%	46.62%
	Average	31.06%	31.00%	31.03%	32.31%	31.01%	31.66%
4th							
Minimum	14.36%	13.79%	14.08%	22.85%	21.94%	22.40%	
Maximum	47.73%	45.82%	46.78%	47.73%	45.82%	46.78%	
Average	31.20%	31.15%	31.18%	32.47%	31.17%	31.82%	
2023	1st						
	Minimum	15.13%	14.53%	14.83%	24.08%	23.12%	23.60%
	Maximum	48.95%	46.99%	47.97%	48.95%	46.99%	47.97%

Average	32.20%	32.14%	32.17%	33.59%	32.25%	32.92%
Minimum	13.58%	13.04%	13.31%	21.61%	20.75%	21.18%
Maximum	48.95%	46.99%	47.97%	48.95%	46.99%	47.97%
Average	30.84%	30.00%	30.42%	34.05%	32.69%	33.37%

**Source:** RealtyRates.com (data collected from preceding quarter)

In analyzing this information, it is important to recognize that these discount rates include developer's profit, i.e., entrepreneurial profit. The preceding information would indicate that a purchaser would most probably anticipate a total discount rate of between 30% and 35%.

Considering the current and anticipated supply and demand for a mixed-use project of this size, along with the time needed to upgrade the existing infrastructure, i.e., sewer and water facilities, electrical transmission system, resolving the waterfront contamination issues, roadways, drainage, etc., a delay of five or more years is considered reasonable. To illustrate the impact of this delay, the discount factor which would be applied to the estimated future value will be calculated as follows:

<b>Discount Rate</b>		30.0%	
<b>Time Delay in Years</b>	5	10	15
<b>Present Value Factor</b>	0.269329	0.072538	0.019537
<b>Discount Rate</b>		35.0%	
<b>Time Delay in Years</b>	5	10	15
<b>Present Value Factor</b>	0.223014	0.049735	0.011092

What this table shows is that if you were to receive \$1.00 in five years and recognizing the risk associated with you receiving the money and the profit that you would want for making the transaction, at a 30% discount rate you would pay approximately \$0.27 today. If the discount rate was 35%, you would only pay \$0.22 today.

In order to illustrate the impact of this discounting, using the preceding discount rates and assuming that the subject's value would be \$100,000 per gross acre in five years, \$200,000 per gross acre in 10 years and \$300,000 per gross acre in 15 years, the indicated present values are estimated as follows:

<b>Discount Rate</b>		30.0%	
<b>Time Delay in Years</b>	5	10	15
<b>Present Value Factor</b>	0.269329	0.072538	0.019537
<b>Future Value of Subject</b>			
<b>\$/Acre</b>	\$100,000	\$200,000	\$300,000



<b>Gross Value</b>	\$154,580,400	\$309,160,800	\$463,741,200
<b>Present Value</b>	\$41,632,985	\$22,425,906	\$9,060,112
<b>\$/Acre</b>	\$26,933	\$14,508	\$5,861

<b>Discount Rate</b>		35.0%	
<b>Time Delay in Years</b>	5	10	15
<b>Present Value Factor</b>	0.223014	0.049735	0.011092
<b>Future Value of Subject</b>			
<b>\$/Acre</b>	\$100,000	\$200,000	\$300,000
<b>Gross Value</b>	\$154,580,400	\$309,160,800	\$463,741,200
<b>Present Value</b>	\$34,473,593	\$15,376,112	\$5,143,817
<b>\$/Acre</b>	\$22,301	\$9,947	\$3,328

A similar demonstration using only upland acres and dividing it between the waterfront and interior land is presented as follows:

	<b>Upland Acres</b>		
<b>Waterfront</b>	\$500,000	\$800,000	\$2,000,000
Acres	150.53	150.53	150.53
Sub-total	\$75,265,000	\$120,424,000	\$301,060,000
<b>Non-Waterfront</b>	\$150,000	\$250,000	\$500,000
Acres	505.07	505.07	505.07
Sub-total	\$75,760,500	\$126,267,500	\$252,535,000
<b>Total</b>	\$151,025,500	\$246,691,500	\$553,595,000
<b>Discount Period (Years)</b>	5	10	15
<b>Discount Factor @ 30.0%</b>	0.269329	0.072538	0.019537
<b>Discounted Figure</b>	\$40,675,547	\$17,894,508	\$10,815,586
<b>\$/Upland Acre</b>	\$62,043	\$27,295	\$16,497
<b>Discount Period (Years)</b>	5	10	15
<b>Discount Factor @ 35.0%</b>	0.223014	0.049735	0.011092
<b>Discounted Figure</b>	\$33,680,801	\$12,269,202	\$6,140,476
<b>\$/Upland Acre</b>	\$51,374	\$18,714	\$9,366

These figures are not intended to represent an opinion of the value of the subject property, they are only provided to illustrate the impact of the discounting that a prudent investor would analyze in estimating an offer to acquire the subject.

In addition to the discount for time and risk reflected above, the cost to install the infrastructure, remediate the contamination, obtain the proper zoning, and permits, etc. would also need to be recognized. This can be done either by developing a periodic cash flow which would recognize any income and expenses associated with holding the property

until such time as it is ready for development or making a simple deduction from the present value of the property.

**Conclusions:**

After analyzing the anticipated population growth, i.e., the potential demand for residential properties, and the existing and planned supply, i.e., current inventory of existing and planned developments, the market does not appear to warrant redevelopment of the subject with a mixed-use project that includes a large number of residential units at this time.

The subject's waterfrontage presents both positive and negative influences on the property. At this time, the costs and time associated with remediating the known environmental issues as well as the uncertainty about the existing docks and soil conditions along the river are considered to be such as to postpone its development for the foreseeable future.

Without a strong residential segment, the market does not appear to warrant the construction of non-waterfront retail. This may change once the new bridge and supporting road system has been completed due to traffic pattern changes that will occur in the future.

Based on the data available, it is estimated that the highest and best use of the subject would be for continued industrial use for the foreseeable future. This continues to produce a positive return to the land and existing improvements.