

**AN APPRAISAL REPORT
OF THE FORMER DAYCARE FACILITY
LOCATED AT
505 NORTH 7TH STREET
FORT PIERCE, FL**

**PREPARED FOR
THE CITY OF FORT PIERCE**

**AS OF
AUGUST 23, 2017**

**PREPARED BY
THOMAS A. OSTEEN, MAI, SRA**

**AND
COOPER OSTEEN
ST. CERT. GEN. RZ3707**

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August 24, 2017

Rebecca Grohall
Planning Director, City of Fort Pierce
Fort Pierce, FL 34950

RE: An appraisal report of the former daycare facility that is now vacant located at 505 North 7th Street in Fort Pierce, FL.

Dear Ms. Grohall:

As you requested on behalf of the City of Fort Pierce, we have completed an appraisal of the above referenced property. The purpose of the appraisal is to estimate the Market Value to the Fee Simple Title to the property as of the effective appraisal data, or August 23, 2017. The client and intended user of the appraisal is The City of Fort Pierce. The City of Fort Pierce will be utilizing the appraisal for internal decision making involving the subject, which is owned by the City of Fort Pierce.

The subject of the report is a vacant 9,432 square foot institutional type facility located near downtown Fort Pierce on the west side of North 7th Street. The building was previously occupied by Head Start daycare facility, but has been vacant for the past several years. The building is CBS construction and although it is older and requires some updating, it is adaptable to various uses that are either in tune with the site's existing R-4 zoning, or that are possibly available through conditional use avenues.

We note that the assignment was completed with an original inspection date of July 25, 2017. However, at that time the ground level of the subject building was not available for access due to unsanitary conditions. The facility has since been cleaned and was re-inspected on August 23, 2017. There was also additional information available on a previous listing of the subject property, which was not disclosed to us by the agent. The client has provided additional information on that listing. The client requested that the physical status of the subject building after cleaning and information on the subject's previous listing be incorporated into a revised appraisal. This report is being completed for that purpose and utilizes an effective date of August 23, 2017, which is the date of the last property inspection.

We certify that, to the best of our knowledge and belief, 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 and the Standards of Professional Appraisal Practice of the Appraisal Institute.

This appraisal assignment was not made, nor was the appraisal rendered on the basis of a requested minimum valuation, specific valuation, or an amount that would result in approval of a loan.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the State of Florida for State Certified Appraisers and the current Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Foundation.

The following appraisal report complies with all regulations issued by the appropriate regulatory entities, regarding the enactment of Title XI of the Financial Institution Reform, Recovery and Enforcement Act of 1989 (FIRREA). The Market Value estimate is predicated on the assumption that the normal marketing period has already taken place. We estimate that it should take up to six months to market the property based on our estimate of value.

A description of the property appraised, together with an explanation of the appraisal procedures utilized, is contained in the body of this report.

Respectfully submitted,



Thomas A. Osteen, MAI, SRA
State Certified General Real Estate Appraiser, RZ174



Cooper Osteen
State Certified General Real Estate Appraiser, RZ3707

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QUALIFICATIONS OF COOPER OSTEEN, ST. CERT. GEN. RZ370747

LIMITING CONDITIONS AND UNDERLYING ASSUMPTIONS

1. The value given in this appraisal report represents the opinion of the signer as to the Value AS OF THE DATE SPECIFIED. Values of real estate are affected by an enormous variety of forces and conditions will vary with future conditions, sometimes sharply within a short time. Responsible ownership and competent management are assumed.
2. This appraisal report covers the premises herein described only. Neither the figures herein nor any analysis thereof, nor any unit values derived therefrom are to be construed as applicable to any other property, however similar the same may be.
3. It is assumed that the title to said premises is good; that the legal description of the premises is correct; that the improvements are entirely and correctly located on the property; but no investigation or survey has been made unless so stated.
4. The value given in this appraisal report is gross, without consideration given to any encumbrance, restriction or question of title, unless so stated.
5. Information as to the description of the premises, restriction, improvements and income features of the property involved in this report has been submitted by the applicant for this appraisal, or has been obtained by the signer hereto. All such information is considered to be correct; however, no responsibility is assumed as to the correctness thereof unless so stated in this report.
6. The physical condition of the improvements described herein was based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were made of the same. The property is assumed to be free of termites and other destructive pests.
7. Possession of any copy of this report does not carry with it the right of publication, nor may it be used for any purpose by any one but the applicant without the previous written consent of the appraiser or the applicant, and in any event only in its entirety.
8. Neither all nor part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media, without the written consent of the author; particularly as to the valuation conclusions, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute, or to the SRA and MAI designations.
9. The appraisers herein, by reason of this report are not required to give testimony in court or attend hearings, with reference to the property herein appraised, unless arrangements have been previously made therefore.

Limiting Conditions and Underlying Assumptions (continued)

10. The Contract for the appraisal of said premises is fulfilled by the signatories hereto upon delivery of this report duly executed.
11. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and zoning laws unless noncompliance is stated, defined and considered in the appraisal report.
12. It is assumed that all licenses, certifications of occupancy, consents, or other legislative or administrative authority from 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.
13. The appraisal expresses the opinion of the signers and is not contingent upon a predetermined value. Neither the employment to make the appraisal nor the compensation in any way determined the amount of the valuation reported.
14. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraisers have no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, ureaformaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required discovering them. The client is urged to retain an expert in this field, if desired.

EXECUTIVE SUMMARY

Type of Property	Institutional design / Former Daycare that is now vacant and awaiting continuation of the previous use or conversion to an alternative use.
Location	505 North 7 th Street
Effective Date of the Appraisal	August 23, 2017
Date of Transmittal	August 24, 2017
Previous Appraisal / Advisory Services Involving the Subject	No previous valuation services.
Property Rights Appraised	Fee Simple
Highest and Best Use As Vacant	Multi-family, institutional, or office development.
Highest and Best Use As Improved	Existing use; revamping of the building improvements to support institutional or office usage.
Zoning	R-4; Medium Density Residential
Site Size	29,800 SF
Building Size	9,432 SF (Includes finished and partially finished area on 1 st and 2 nd level)
Intended Use/Intended User	The appraisal will be utilizing the appraisal for internal decision making. The client and intended user of the report is the City of Fort Pierce.
Exposure Period	12 Months
Market Value to the Fee Simple Title as of July 25, 2017	\$190,000

INTRODUCTORY COMMENTS

Intended User, Intended User

The intended user of the report is the City of Fort Pierce. The City of Fort Pierce will utilize the report for internal decision making involving the subject property, which is owned by the city.

Previous Appraisal / Advisory Services Involving the Subject

We have not been hired to perform any valuation related services involving the subject within the past three years prior to being hired to complete the current assignment for the City of Fort Pierce.

Market Value

Section 1110 of Financial Institutions Reform, Recovery, and Enforcement Act's (FIRREA) instructions to the Office of Thrift Supervision uses the definition of Market Value below as developed by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, and adopted by the Appraisal Foundation's Uniform Standards of Professional Appraisal Practice.

"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, 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:

- a. buyer and seller are typically motivated;
- b. both parties are well informed or well advised, and acting in what they consider their best interests;
- c. a reasonable time is allowed for exposure in the open market;
- d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- e. 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."

Source: Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), Title XI. "Appraisal Reform Amendments", dated August 9, 1989.

SUBJECT PHOTOS

SUBJECT FRONT



SUBJECT REAR



TYPICAL INTERIOR



KITCHEN



INTERIOR HALLWAY



7TH STREET



CEDAR PLACE



REAR PARKING



Interest Appraised

The interest appraised herein is the Fee Simple Estate of the Subject Property. See Extraordinary Assumptions related to this item.

Definition of Fee Simple Title

The Dictionary of Real Estate Appraisal (Fifth Edition 2010), by the Appraisal Institute, defines Fee Simple Estate on page 78 as follows:

"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."

IDENTIFICATION OF PROPERTY

The subject is a 9,432 square foot (Finished & Partially Finished 1st and 2nd Level Area) concrete block facility located on the north side of 7th Street near downtown Fort Pierce. The property was formerly utilized as a daycare facility (Head Start) but is now vacant and owned by the City of Fort Pierce. The property was constructed in 1950 and has adaptability to various forms of institutional or light commercial uses, pending conditional use approval in some cases.

SCOPE OF APPRAISAL

In estimating value, only the Sales Comparison Approach is used. This is the only reliable valuation method that accurately portrays market interaction.

The reliability of the Cost Approach is negatively impacted by the older age of the subject's improvements. Additionally, we are finding that market participants are not gauging value in the marketplace by methods that pattern the Cost Approach. Buyers and sellers are relying on comparable sale transactions and active listings to gauge value. Thus, the Cost Approach is omitted.

The Income Approach is omitted since the subject property has primary appeal to owner occupants. Properties in the subject's market segment are not typically traded on the basis of income generation potential and the Income Approach is excluded as a result.

Information regarding the valuation was obtained from several sources, including public records of St. Lucie County, governmental agencies of St. Lucie County and the City of Fort Pierce, members of St. Lucie County Board of Realtors, Loopnet, and market participants. Data was obtained both in documented format as well as from personal interviews with individuals in the marketplace and/or associated with the government. Presentation, as well as discussion of this data, is included in the body of this report. Tax records are used in establishing the size of the improvements.

The assignment was completed with an original inspection date of July 25, 2017. However, at that time the ground level of the subject building was not available for access due to unsanitary conditions. The facility has since been cleaned and was re-inspected on August 23, 2017. There was also additional information available on a previous listing of the subject property, which was not disclosed to us by the agent. The client has provided additional information on that listing. The client requested that the physical status of the subject building after cleaning and information on the subject's previous listing be incorporated into a revised appraisal. This report is being completed for that purpose and utilizes an effective date of August 23, 2017, which is the date of the last property inspection.

LEGAL DESCRIPTION

The subject's legal description was taken from the St. Lucie County Property Appraiser's office as follows:

FEE AND MAY'S RE-S/D BLK K LOTS 1, 2, 3, 18, 19 AND 20 (MAP 24/10C)

HISTORY OF OWNERSHIP

The subject property is currently owned by:

City of Fort Pierce
PO Box 1480
Fort Pierce, FL 34954

According to Saint Lucie County property records, there have been no recent sales or transfers of the subject property.

The subject property was listed in the MLS system for sale by Coldwell Banker 9/9/2016 for a price of \$120,000, or \$12.72 per square foot. (Based on Primary Floor Area) The client reported to us that listing or a price was never approved by the owner. The subject was part of a larger portfolio that was listed for sale, although there was never a formal listing agreement completed involving the subject property. The city became aware of the listing as offers began to be submitted. The city commission declined all of the offers and subsequently withdrew the listing from the market disapproving of the listing price.

Listings can typically be utilized as a barometer of the upper end of the market. However, this is not necessarily true in the subject's case as the listing price was not agreed to or approved by the seller. The agent did reported receiving several offers on the property including some at or near the listing price. Evaluating the conditions surrounding this particular listing, the price is likely more indicative of a lower value boundary than an upper boundary.

Because of the unique circumstances involving the listing, any information related to the offering is used with caution and not weighted heavily in the valuation.

SUMMARY OF NEIGHBORHOOD DATA

The relationship of the subject property with surrounding properties forms the basis of neighborhood analysis. The 10th Edition of the Appraisal of Real Estate refers to forces, which influence property value as, "Social, economic, governmental, and environmental forces influence property values in the vicinity of a subject property, which in turn, directly affects the value of the subject property itself." Neighborhood analysis is thus a study of forces and factors, which will tend to influence the value of the subject property in the future. The subject neighborhood is broken down and analyzed as follows:

Neighborhood Boundaries

Neighborhood analysis requires identification of boundaries. The boundaries may be defined by complimentary land uses, social factors, economic, or physical boundaries. In the case of this appraisal assignment, the neighborhood is largely comprised of northern Fort Pierce; this area is mostly contained west of US Highway 1, north of Okeechobee Road and Delaware Avenue, and south of the C-25 canal. The western boundary is defined by Hartman road in the southern portion of the neighborhood and Angle Road in the northern portion of the neighborhood.

Road Linkages & Neighborhood Overview

The subject neighborhood is located in northern Fort Pierce, a city of approximately 40,000 that largely grew out of marine related activity following its incorporation in 1901. The city is located approximately mid-way between Orlando and Miami and is considered to be in an outlying area relative to large metropolitan development. Northern Fort Pierce is associated with some of the earliest, dense residential growth in the city. This area is now generally characterized by older housing of modest design standards relative to newer development in the city. The neighborhood is of typical layout, with interior portions containing a high concentration of rooftops and commercial uses seen along neighborhood boundaries and secondary feeder streets that are geared towards serving nearby residents.

Orange Avenue is a primarily a four lane State Road with an interstate interchange approximately 3 miles west of the subject. It runs from Interstate 95 to the west to US Highway 1 to the east, which is the county's most developed commercial corridor. Traffic loads along Orange Avenue range from approximately 10,000 cars per day to 17,000 cars per day in various stretches between Interstate 95 and US Highway 1.

US Highway 1 is the primary north/south corridor in the eastern portion of the Saint Lucie County and represents the eastern neighborhood boundary. An abundance of highway oriented commercial uses are found on this highway, whose traffic loads are in excess of 25,000 cars per day in most areas of the subject neighborhood. Access into the interior

portions of the neighborhood from US Highway 1 is by way of Orange Avenue, Avenue D, Delaware Avenue, in addition to a network of smaller off streets like Avenue E, Avenue M, etc. The subject is located in the northeastern section of the neighborhood two blocks west of US Highway 1 at Avenue E & 7th Street.

Residential Overview

As outlined, the subject neighborhood is largely comprised of dense residential populations associated with early Fort Pierce development.

Commercial & Industrial Uses

Commercial land uses in the neighborhood are concentrated along major corridors of Orange Avenue, US Highway 1, and South 25th Street. These streets house the neighborhood's most desirable commercial land due to having the heaviest exposure and being easily accessible for residents in basically any portion of the neighborhood. Secondary feeder streets of 33rd Street, Angle Road, Avenue D, and Delaware Avenue are less densely developed but contain a mix of commercial and residential uses. Commercial corridors are outlined below:

- Orange Avenue provides primary access through the central portion of the neighborhood and is the only traffic linkage running from the interstate to US Highway 1 in the neighborhood. Orange Avenue goes on to provide access into the Fort Pierce downtown area and waterfront districts of Fort Pierce. Orange Avenue is a mature commercial corridor without an adequate supply of vacant land left for development. Commercial development is generally characterized by older buildings, primarily housing local tenants. There are several strip centers located in the area, in addition to an abundance of free standing building occupied by users such as Universal Sign Company, Perry Music, Ramallah Grocery, etc. Limited commercial development is also seen on secondary streets that intersect Orange Avenue, primarily comprised of small local retail or service businesses. In its easternmost portion, Orange Avenue has seen heavy investment activity over the past year with investors looking to eventually capitalize on the westward expansion of the downtown area. Investors are actively pursuing city support for the improvement of several buildings in the area to establish an art district. Acquisitions to this point have been focused at or east of 7th Street near Orange Avenue. This activity has influenced surrounding areas like the subject, but has been concentrated near the Orange Avenue corridor, which lies 4/10 mile south of the subject property.
- South 25th Street is the neighborhood's western north/south corridor and contains a mix of commercial uses. Older residential uses are seen interspersed with commercial conversion properties and some newer development. By and large South 25th Street, like Orange Avenue, is characterized by older development. The 25th Street corridor served as a support corridor for early residential development in the city, and many original buildings are still in place.

- US Highway 1 is the county's primary north / south corridor and is located in the eastern portion of the neighborhood. This highway has the neighborhood's highest traffic loads and serves as a county traffic artery. A variety of commercial development is seen along US Highway 1 including gas stations, fast food restaurants, strip and free standing retail, offices, auto-repair, etc. This is generally a preferred corridor among larger credit tenants such as Publix, who anchors a shopping center just beyond the northeast corner of the neighborhood. Rental rates are at a premium to other neighborhood corridors along US Highway 1, and occupancy levels are higher to those along Orange Avenue and South 25th Street. The subject retains good access from US Highway 1.
- Avenue D is a fairly well traveled two lane road that has been the focal point of extensive city revitalization efforts. It also contains a fairly large amount of older, locally run commercial development.
- Both Angle Road and 33rd Street are primarily characterized as local residential feeder roads. Angle Road borders dense residential development to the east and contains a mix of residential, commercial, and industrial operations between Orange Avenue and Kings Highway. A pocket of industrial land use is seen in proximity to the Avenue D and Angle Road intersection including the south side of Metzgar Road, North 42nd Street, and Mariah Circle. Light industrial uses are mostly in form of below average quality warehouse buildings occupied by various types of tenants including vehicle repair, warehouse storage, recycling facilities, etc.

Downtown Fort Pierce

The subject lies within approximately 1/2 mile of the Fort Pierce Central Business District, accessed by continuing east along Orange Avenue. Much of the traffic flow along Orange Avenue originates to and from the downtown area. The core CBD is located to the east of US Highway 1, although a transition to office, professional, and retail uses has been seen moving westward, with the prevalence of this expected to increase over the next several years with the recent completion of a federal courthouse and deployment of private capital into the area.

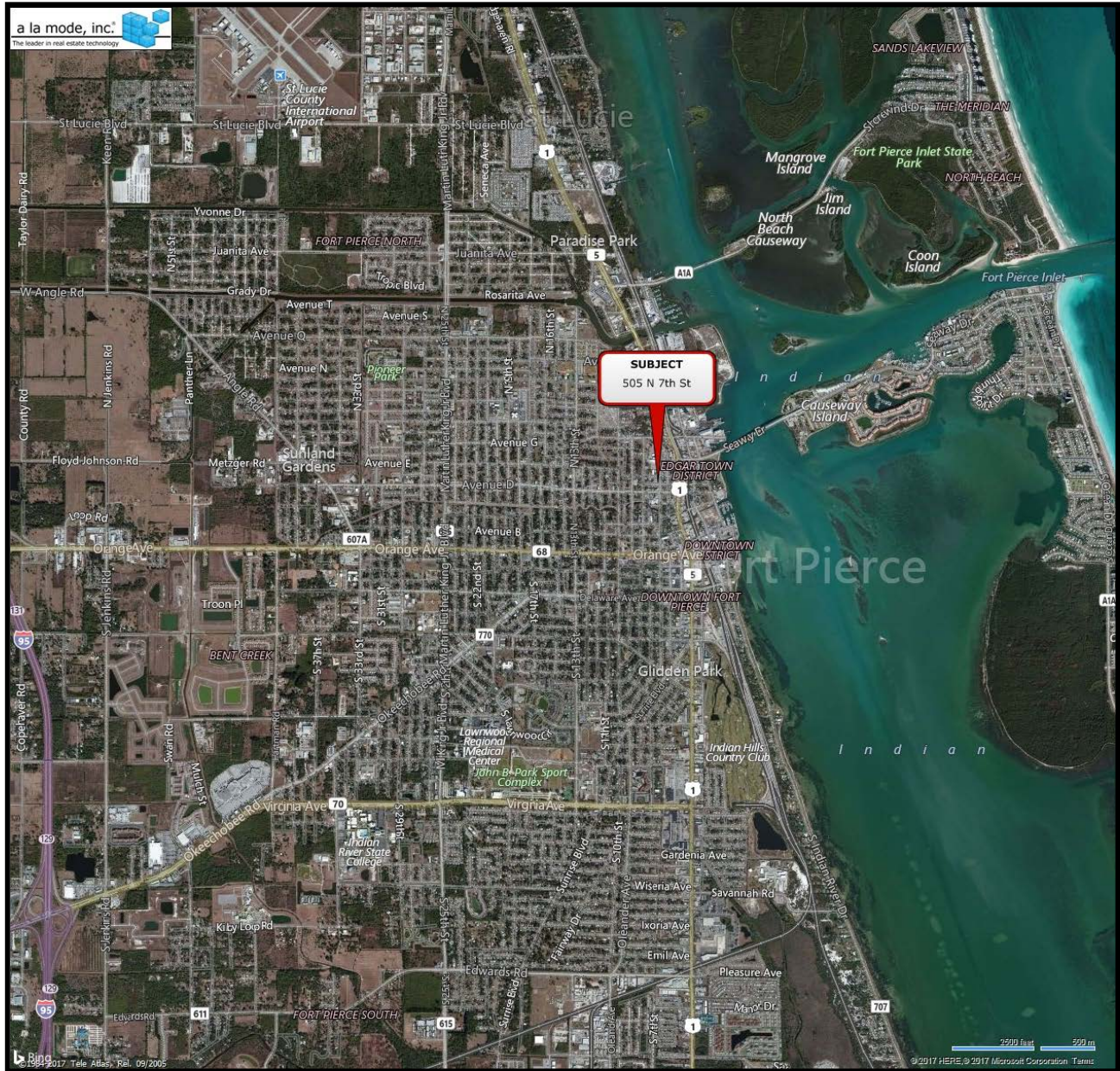
Market Conditions

The local economy and real estate markets have continued to recover in the aftermath of the recession. The improved commercial market has now at least reached stabilization locally in almost all areas. Prime and 2nd tier locations are experiencing upward pricing pressure for improved property in many areas. Fort Pierce continues to lag behind more favorably located commercial property in neighboring Port Saint Lucie and Vero Beach, although real estate activity is heightened in centralized areas of Fort Pierce and along primary corridors. This has included a significant uptick in investment purchases in and around the downtown area and a rise in land sale volume.

Summary

The neighborhood has historically experienced support from original Fort Pierce residential base. Market trends have shifted from declining to stable over the past 2 years. While the market has been in somewhat of a stagnant state over that time period in terms of volume and price movement, the most recent indicators are positive. The neighborhood is a fairly mature area with some positive fundamental influence including the downtown area, the Fort Pierce waterfront districts and the port, and a good road network.

NEIGHBORHOOD MAP



SUMMARY OF THE SUBJECT SITE

Site Characteristics

- **Address:** 505 North 7th Street
- **Shape:** Rectangular in shape
- **Dimensions:** Approximately 200'X150'
- **Frontage:** The subject has approximately 200' frontage along North 7th Street. The northern and southern property borders each maintain approximately 150' frontage respectively along Avenue E & Cedar Place
- **Total Land Area:** 29,800 SF
- **Access:** No formal access from North 7th Street. There is an access drive that flows into the parking lot from Cedar Place and exits on Avenue E. There is also a separate parking lot that is entered and exited from Avenue E.
- **Main Corridor:** US Highway 1 is located 2 blocks east.
- **Fema Flood Zone:** Flood zone "X", Map Panel 12111C0179J (2/16/2012)
- **Census Tract:** Census Tract 3801
- **Utilities:** Water, sewer, electric, garbage provided by FPUA

Zoning & Land Use

The subject property is zoned R-4 by the City of Fort Pierce. This is a medium density residential zoning designation that makes allowances for a variety of land use either through semi-restricted uses or conditional uses including single and multi-family use, generally below densities of 10 units per acre, limited neighborhood oriented commercial uses, and certain types of institutional uses. Semi-Restricted uses include single family use, duplexes, triplexes and quadraplexes, multi-family housing developments, townhome dwellings, etc. Conditional uses present some additional potential use avenues, although these types of uses must be approved. These include community centers and non-profit clubs, churches, schools, and daycare centers, neighborhood commercial uses, etc. Based on our interviews with the city planning department, the subject previously had a conditional use permit for operation as a daycare facility, but that permit has expired due to the length of time the property has been non-operational.

This section of the property has a land use classification of the subject property is RME, Medium Density Residential. The current zoning of the site is compatible with the land use classification. This is also intended to primarily encourage a variety of residential uses, in addition to making allowances for some other types of institutional or light commercial use in selected areas.

Bounding Properties

The subject is bounded by residential homes to the east and west, a non-profit center to the south, and a medical office to the north.

Topography

The subject site slopes downward from east to west. The site is otherwise clear.

Hazardous Waste Sites

No hazardous waste was noted by the appraiser. However please refer to item #14 of the Limiting Conditions and Underlying Assumptions of this report.

Easements

No adverse easements are known to exist. We are not aware of any access easements in place either through or to the subject property.

Deed Restrictions

There are no known deed restrictions that hinder the development of the site.

2016 Assessment and Taxes

According to the St. Lucie County tax records, the subject property is assessed as follows:

	Just / Market	Assessed	Taxes
Parcel ID Number			
2410-601-0134-000-8	\$352,600	\$202,180	\$0

The owner is a tax exempt authority. The assessed value of \$202,180 is well above our estimate of market value. Taxes would be expected to rise substantially if the property were purchased by a non-tax exempt party, although the subject may be a candidate for a tax appeal if the assessment were to remain in its current range.

SITE MAP



SUMMARY OF IMPROVEMENTS

Building improvements were constructed in 1950 according to tax records. The building is comprised of several different sections that were formally utilized for different functions of the daycare center that was operating from the property. Exterior building features are outlined as follows:

- Flat and Gable Style Roof
- Concrete block construction
- 2-Level
- Wood Sub-Floor in Upper Level
- Window and Roof Mounted Individual A/C units

The subject property contains a total of 9,432 square feet including 2nd level finished space, and both the finished and partially finished space on the first level. There is additional, what basically amount to basement space on the first level, but that is excluded in the summation of primary building square footage. The subject's 9,432 square foot total, is what we considered to be primary building square footage that offers utility for operations that would typically occupy the building.

Interior / Configuration

The interior of the building is basically divided into four sections: The office wing, classroom & multipurpose, kitchen & dining, and the lower level. Upper and lower levels are located in the southern and western sections of the building. Lower levels are ground height like the upper level because of the site's downward slope from east to west, but must be accessed via a narrow stairwell on the interior. The lower level can be access from the exterior also at ground level.

Office Wing: The office wing is located at the southern end of the facility and contains roughly 1,276 square feet on the main (Upper) floor. This area is comprised of four offices and one restroom. The finishes are fair in quality and includes tile and low quality carpet floors, acoustical tile ceilings, fluorescent lighting and painted drywall. The interior conditions is rated as being well below average and the building will require updating / renovation prior to occupancy. The office wing includes a hallway.

Kitchen / Dining / Other: The kitchen and dining area are located in the western section of the building on the main (Upper) level. These areas contain similar finishes to the office wing; there is a dedicated kitchen area and large open dining room. This section of the building contains a larger classroom area at its northern end. Two restrooms are located in this portion of the building and are accessible by a hallway. This area contains roughly 2,025 square feet including the hallway, which has concrete flooring.

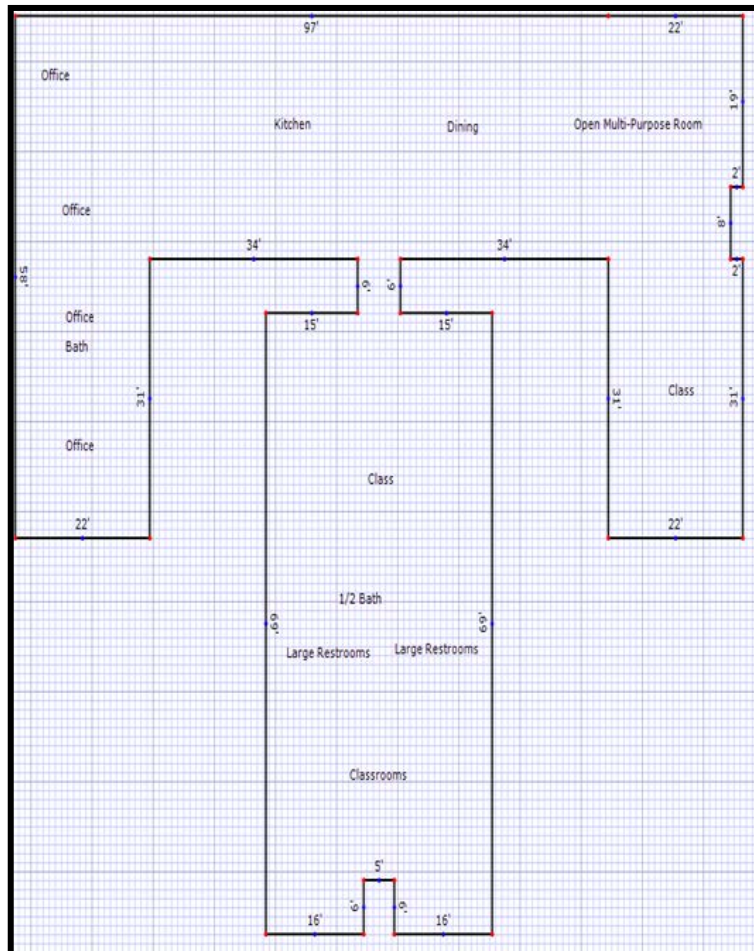
Classrooms / Multi-purpose: Classrooms and other rooms are located in two wings located at the central and northern portion of the building. The central wing contains a classroom, large sized children restrooms, a ½ bath, and a recreational or multi-purpose room. The northern wing contains a large open room. In addition to similar deferred maintenance observed throughout other areas of the building, the central section of this building area appeared to contain damage to the sub-floor structure. These areas contain a total of approximately 3,825 square feet.

Lower Level: The lower level contains 2,306 square feet of finished and semi-finished space. Approximately ½ to 2/3'rds of this space is similar to 2nd level finishes with 3 individually partitioned offices or classrooms and a restroom. There is also what appears to have been previously utilized as a laundry room, and storage space. The balance of space is basically classified as storage space with concrete floors and lower ceiling heights. The lower level has additional area that is considered basement with dirt floors, but this area holds no real utility due to lack of finishes and the fact that the ceiling height drops from south to north as the slope of the ground moves upward.

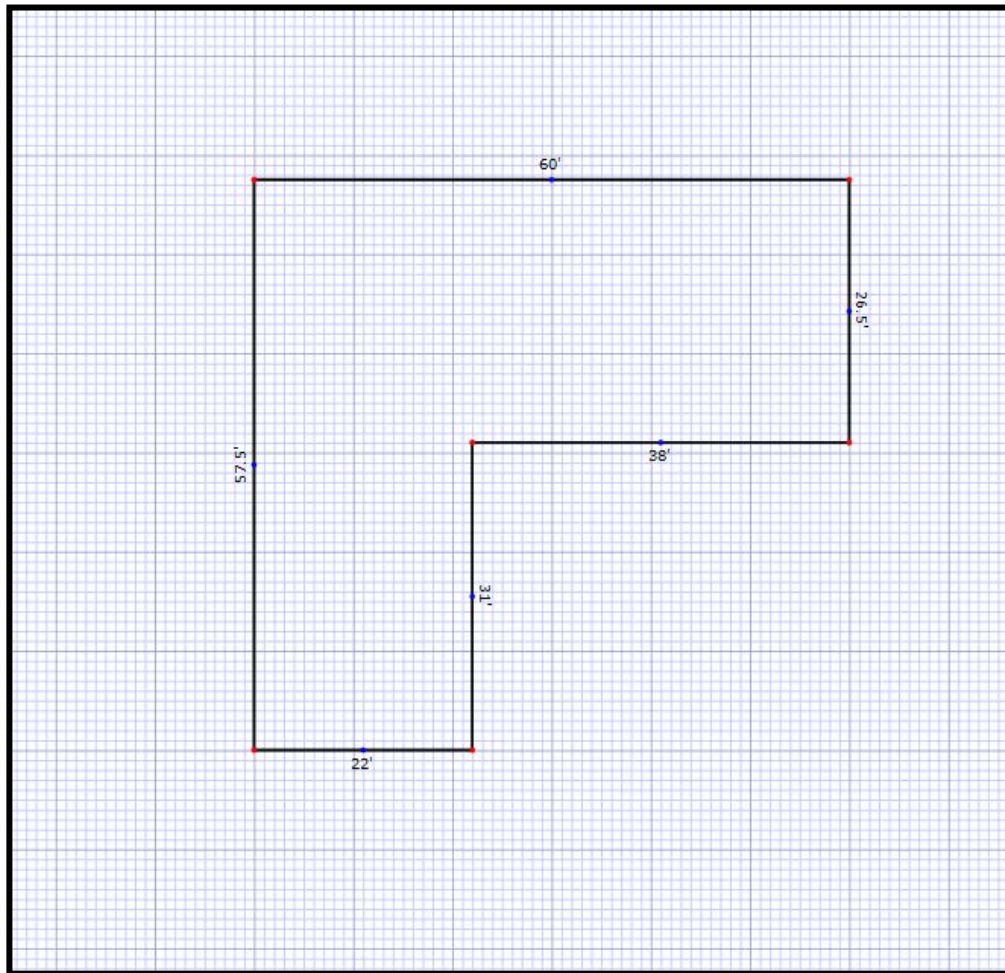
Site improvements

The subject contains access off of Cedar Place and an asphalt paved parking area that exists onto Avenue E. The property has approximately 13 bumpered parking spaces in this area. There is a separate small parking area on the northern side of the building that can be access by vehicle and that has a wheelchair ramp into the building. The front yard is fenced.

BUILDING SKETCH



LOWER LEVEL USEABLE AREA



HIGHEST AND BEST USE

The value of real property is of course directly related to the use to which it can be put. It follows that a particular parcel may have several different levels under alternative uses. Accordingly, the property appraised herein is appraised under its Highest and Best Use which is defined as:

The reasonably probable and legal use of vacant land or an improved property that 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. Alternatively, the probable use of land or improved property - specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value.

The source of this definition is the Dictionary of Real Estate Appraisal, Fifth Edition, Page 93.

In order to establish the highest and best use of the property, several factors must be considered. These elements pertain to features such as size, zoning, location, access, utilities, trend of surrounding development, and demand. Demand for the end product is the criteria judging whether or not it is feasible to construct at the present time. The highest and best use analysis follows on the next page.

Conclusion - As Vacant

- **Legally Permissible:** The subject is zoned for residential usage in various forms, in addition to limited commercial uses or alternative institutionally related use. Outside of traditional residential development, most of the other uses allowed in this zone are through conditional use channels, meaning they must receive city approval. We have analyzed the factors that are generally evaluated in the city's approval process for a conditional use and spoken with the city regarding the subject's likelihood of being able to support institutional or limited commercial use. This portion of the site is just off of US Highway 1 and fronts 7th Street. Similar locations in the neighborhood are peppered with institutional and neighborhood oriented commercial uses. Considering all factors, the subject is a good candidate for use flexibility outside of the residential realm, as evidenced by its previous approval for operation of a daycare facility.
- **Physically Possible:** The subject is 29,800 square feet, a sufficient size to allow for various forms of development in tune with zoning. The site has adequate accessibility and has access to utilities. The site slopes downward from east to west, a factor that could require special development attention depending on building size and layout.
- **Financially Feasible:** The localized real estate market has seen improvement and been best characterized as stable over the past 24 months. The subject has potential, through zoning, to support commercial usage, various forms of residential development, or institutional usage. Prices in these market segments do not yet justify new development with a profit incentive. Therefore, the subject site should be left vacant in an interim use until market conditions improve and price increase.
- **Maximally Productive:** Because of the subject's size and location, it may experience demand for development outside of the typical residential / multi-family realm. Churches, daycares, or schools are likely front-running uses since the supply of land that is well applied to these types of uses is in greater scarcity than that applicable to typical residential development. As development feasibility returns to the market, these uses should be classified as frontrunners in terms of productivity. The subject also has capacity for typical multi-family development, which may also represent a productive use of the property over a 1 to 3 year horizon.

Conclusion –As Improved

The existing improvements contribute value to the vacant site and are considered the highest and best use. The existing improvements, however, are at the point of rehabilitation or use conversion. There are some items that need immediate repair attention to preserve the structural integrity of the building such as floor areas that were observed to be soft or in otherwise compromised condition. Outside of this, the market will demand varying degrees of updating and replacement of building systems and finishes prior to new operations.

The use of the building will be the driver in terms of what type renovations and updates will be required. The subject is likely best geared towards a use similar to the last one in the building, which was a childcare facility. This or a related use is initially recognized as favorable since avoiding a change in use will likely trigger less building code regulations than a change in use. Secondly, the subject is configured in a manner that is conducive to this type of use. While the building requires updates, the general layout is favorable for childcare facilities or pre-schools.

The subject has physical adaptability to other uses including offices or other forms of institutional use like ALF's or churches. However, the feasibility of uses that require significant physical modification in addition to likely triggering additional building code regulations is questionable.

THE APPRAISAL PROCESS

The valuation process is the orderly program in which the data used to estimate the value of the subject property are acquired, classified, analyzed, and presented. The first step in the process is to define the appraisal problem - i.e., identify the real estate, the effective date of the value estimate, the property rights being appraised, and the type of value sought. Once this has been accomplished, the appraiser collects and analyzes the factors that affect the market value of the subject property. These factors are addressed in the area and neighborhood analyses, the site and improvement analysis, and the Highest and Best Use analysis, and in the application of the three approaches to value. Appraisers generally use three approaches to value: The Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach.

The first approach is the Cost Approach to value. Accrued depreciation is deducted from the cost new of the improvements and this figure is added to the land value to indicate the value of the whole property. Generally, land value is obtained through sales comparison. The reproduction cost new of the improvements is estimated based on current prices for component parts of the building less depreciation, which is computed by analyzing the disadvantages or deficiencies of the existing building as compared to a new building. The Cost Approach is excluded from this assignment as outlined in the scope of work.

The Sales Comparison Approach is used to estimate the value of the land as though vacant and/or the property as improved. The appraiser gathers data on sales of comparable properties and analyzes the nature and conditions of each sale, making logical adjustments for dissimilar characteristics. Typically, a common denominator is found. For land value, the unit of comparison is usually price per square foot or price per acre; for improved properties, it may be price per square foot, price per unit, or a gross rent multiplier. The Sales Comparison Approach produces a good indication of value when sales of similar properties are available. The Sales Comparison Approach is utilized in this assignment.

The Income Approach is predicated on the assumption that a definite relationship exists between the amount of income a property can earn and its value. In other words, value is created by the expectation of income benefits to be derived in the future. In this approach, the anticipated annual net income is stabilized and then converted into a value estimate by division using a market derived overall. The Income Approach is not used in this assignment.

The final step in the valuation process is the reconciliation or correlation of the value indications. In the reconciliation, the appraiser considers the relative applicability of each of the approaches used, examines the range of the value indications, and gives most weight to the approach that appears to produce the most reliable solution to the appraisal problem. The purpose of the appraisal, the type of property, and the adequacy and reliability of the data are analyzed; also considered in assessing the reliability of each approach to value. To apply the three approaches to value, information pertaining to the

fair market value of the subject property must be derived from the market because the appraiser seeks to anticipate the actions of buyers and sellers in the market.

SALES COMPARISON APPROACH

Preface

The Dictionary of Real Estate Appraisal (Fifth Edition), by the Appraisal Institute, defines Sales Comparison Approach on page 176 as follows:

"The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sales prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison."

Unit of Comparison

The unit of comparison most widely used in the valuing commercial buildings of the subject's type is the sale price per square foot of building area. Note that the subject's square footage of 9,432 includes certain areas of higher and lower utility levels. These are evaluated on blended basis and the subject's quality and condition ratings reflect a net balance of all of the space included in the total 9,432 square feet of primary building area.

In our search for sales, we have attempted to locate sales that are in similar locations and that are similar in highest and best use challenges to the subject. The data is outlined on the next page and is followed by a discussion of adjustments and the value correlation:

SUMMARY OF SALES					
	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4
LOCATION	505 North 7th Street Fort Pierce, FL	912 Avenue I Fort Pierce, FL	827 Sunrise Boulevard Fort Pierce, FL 34950	500 Orange Avenue Fort Pierce, FL	302 North 23rd Street Fort Pierce, FL
SALES PRICE / LISTING PRICE	\$200,000	\$ 125,000	\$145,000	\$ 139,000	\$ 129,000
CASH EQUIVELENCY ADJUSTMENT	-	\$ -	-	\$ -	\$ -
CASH EQUIVELENT SALE PRICE	\$200,000	\$ 125,000	\$145,000	\$ 139,000	\$ 129,000
ARM'S LENGTH SALE	Expired Listing	Yes	Yes	Yes	Yes
PROPERTY RIGHTS	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
OR BOOK/PAGE	N/A	3756, 520	N/A	4003, 2339	3919, 1346
SALE DATE	Expired 9/19/2016	May-15	Jul-17	May-17	Sep-16
SITE SIZE (SF)	29,800	24,375	20,669	18,924	32,025
ZONING	R-4	R-4	R-4	C-3	R-3
ADJUSTED BUILDING AREA (SQ.FT.)	9,432	5,258	2,816	7,161	6,597
LAND TO BUILDING RATIO	32%	22%	14%	38%	21%
QUALITY	Fair	Average	Average	Average	Average
AGE / CONDITION	1950 / Fair	1987 / Average-	1925 / Average-	1935 / Average-	1954 / Average
SALE OR LISTING PRICE / SF	\$21.20	\$23.77	\$51.49	\$19.41	\$19.55
ADJUSTMENTS					
Market Conditions	-20%	10%	0%	0%	0%
Adjusted SP/SQ.FT	\$16.96	\$26.15	\$51.49	\$19.41	\$19.55
Location	0%	0%	-10%	-10%	10%
Design / Quality	0%	-10%	0%	-10%	0%
Age / Condition	0%	0%	0%	0%	-15%
Zoning	0%	0%	0%	-5%	0%
Building Area	0%	-10%	-25%	0%	-10%
Site Improvements / Site Coverage	0%	0.0%	-10%	0%	0%
Net Adjustment	0%	-20.0%	-45%	-25%	-15%
Adjusted S.P./SQ.FT.	\$16.96	\$20.92	\$28.32	\$14.56	\$16.62

Discussion of Adjustments

- **Conditions of Sale:** The conditions surrounding each sale were initially analyzed. We determined that there are no adjustments necessary for sales in this data set. The subject's expired listing is adjusted downward for conditions of sale as a sale agreement was not able to be reached. Only a moderate conditions of sale adjustment is necessary based on our conversations with the listing agent regarding the property. We point out that offers to purchase were made during the listing period.
- **Market Conditions:** The market has shown improvement in various sectors since 2014. However, the institutional market is low in volume and older institutional properties in similar neighborhoods have lacked price improvements seen in higher volume market segments. Only a moderate adjustment is made to Sale 1 as there has been some level of improvement in the market since Mid-2015 that can be evidenced through data in other market segments. Other sales are either newer or there has otherwise been no discernable price improvements since their closing.
- **Sale 1:** Sale 1 is a multi-purpose facility that has been marketed as a group home, ALF, and recovery center. The property is best geared for institutional uses and has overlap in highest and best use with the subject. The location is similar, but Sale 1 is a more modernized facility that is considered to be of better quality than the subject. This sale's condition is similar to the subject. Adjustments are made to reflect these differences. Other characteristics between Sale 1 and the subject are similar.
- **Sale 2:** Sale 2 is also a former childcare facility that was being marketed for its ability to support institutional usage or office usage. The property was last occupied by the Daniel M Foundation, which specialized in the care of children with learning disabilities. The property, like the subject, requires substantial updating / renovation to support most uses. That said, it is much smaller than the subject, a factor that results in higher prices per unit. Particularly when substantial renovations are required, larger properties become much more costly on a gross price / cost level and the market becomes much more limited. A substantial downward adjustment for size is necessary due to these influences. Sale 2 is located close to downtown like the subject, but receives better exposure along Sunrise Boulevard, a factor that makes it more appealing for most institutional uses. A downward adjustment is made for exposure, size, and yard area.
- **Sale 3:** Sale 3 is one of the more recent sales located in the immediate area of the subject, which involved the former post office building. The facility had been partially gutted and required re-building on the interior. The exterior was of better design and quality than the subject. Initially, a downward adjustment is made for

Sale 3's location along higher traffic Orange Avenue. This opens up the use possibilities for Sale 3 vs. the subject. This should result in a larger buyer pool and ultimately a higher price level. Sale 3 is also adjusted downward for its superior design and quality. The property is classified as being similar in condition. A downward adjustment is made for zoning. The impact of this may have been negated to some extent since the city was evaluating use proposals along with price as a consideration in selling the property. We were not privileged to the impact this had on price if any, but some market participants reported it being a factor. A downward adjustment of 5% is made for zoning.

- **Sale 4:** Sale 4 is a similar era church facility that had a main sanctuary and an educational wing. Because of location, building design, and layout, there is overlap in highest and best use between the subject and Sale 4. The property lacks downtown proximity and is adjusted upward by 10%. The property is considered similar to the subject in quality and design, but is in better condition. A downward adjustment is made for condition and size. No other adjustments are necessary between Sale 4 and the subject.

Value Correlation

The subject is a unique property with limited directly comparable sales available. The sales used, as a group, bracket the highest and best use and the marketability of the subject property. The range of adjusted prices is wider than what is preferred, although this is not overly surprising given the low volume nature of the market segment and the physical differences that exist between the subject and the best comparable sales. Sales ranged in adjusted price from \$14.56 to \$28.32 per square foot. Overall, with consideration to all of the data, the subject is best supported at a value parameter of \$20.00 Per Square Foot. Market Value by the Sales Comparison Approach is now calculated as follows:

**9,432 SF @ \$20.00 Per Square Foot
=\$188,640
Rounded to \$190,000**

IMPROVED SALES PHOTOS

SALE 1



SALE 2



SALE 3



SALE 4



RECONCILIATION

The three approaches to value which were utilized produced the following value results.

COST APPROACH	Not Used
SALES COMPARISON APPROACH	\$190,000
INCOME CAPITALIZATION APPROACH	Not Used
FINAL MARKET VALUE OPINION TO46 FEE SIMPLE TITLE AS OF 8/23/2017	\$190,000

The Sales Comparison Approach is supported through four recent sales involving competitive facilities to the subject that overlap in highest and best use. The sales form a supported data set for establishing the subject's market value. The sales were supported by analysis of the subject's previous listing and one active listing that is recognized as the lower value boundary.

The Sales Comparison Approach was determined to be the only approach to produce credible valuation results. Therefore, it is the only approach employed and is given full weight.

The Fee Simple Market Value estimate of the subject property as of August 23, 2017, the effective appraisal date, is as follows:

ONE HUNDRED NINETY THOUSAND DOLLARS
(\$190,000)

EXPOSURE PERIOD

The appraisal is based on an implied exposure period of 12 months.

CERTIFICATION

- We certify that, to the best of our knowledge and belief,...
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of subsequent event.
- 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.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Thomas Osteen, MAI, SRA and Cooper Osteen have made a personal inspection of the property that is the subject of this report.
- No one provided significant professional assistance to the person signing this report.
- Our value conclusion, as well as other opinions expressed herein, is not based on a requested minimum value, or specific value, or approval of a loan.
- As of the date of this report, I Thomas Osteen, MAI, SRA have completed the requirements of the continuing education program of the Appraisal Institute.
- This report is subject to review by the State of Florida and by the Appraisal Institute.
- We have not been hired to perform any valuation related services involving the subject property in the three years prior to being hired to appraise the property for the City of Fort Pierce in the current engagement.



Thomas A. Osteen, MAI, SRA
State Certified General Real Estate Appraiser, RZ174



Cooper Osteen
State Certified General Real Estate Appraiser RZ3707

QUALIFICATIONS OF THOMAS A. OSTEEN, MAI, SRA

Professional Memberships

- ◆ MAI - member, Appraisal Institute of Real Estate Appraisers.
- ◆ SRPA - Senior Real Property Appraiser - Society of Real Estate Appraisers.
- ◆ SRA - Senior Residential Appraiser - Society of Real Estate Appraisers.

Professional Experience

- ◆ State Certified General Appraiser - State of Florida Since June, 1990, #RZ0000174
- ◆ President - Osteen Appraisal Services, Inc. - 1984 - Present.
- ◆ Licensed Real Estate Broker - State of Florida since 1984.
- ◆ Broker - Salesman - State of Florida - 1981 - 1984.
- ◆ Real Estate Salesman - State of Florida - 1976 - 1981.

Professional Training

- ◆ Numerous courses and appraisal seminars between 2000 and 2011
- ◆ Bachelor of Science Degree, Real Estate Major, Florida State University, 1976.
- ◆ Associates of Arts Degree, Indian River Community College, 1974

Experience

Continuous appraisal of real property in the State of Florida since 1976. Appraisal practice encompasses a wide array of commercial, agricultural and residential properties including complex special purpose properties.

Continuing Education

As of the date of this report I, Thomas A. Osteen, MAI, SRA, SRPA has completed the requirements under the continuing education program of the Appraisal Institute.

QUALIFICATIONS OF COOPER OSTEEN, ST. CERT. GEN. RZ3707

Licensure

COOPER OSTEEN, ST. CERT. GEN. RZ3707

Education

John Carroll High School, Graduated May, 2001.

Indian River Community College, Graduated 2003, AA Degree.

University of Mississippi, Graduated May 2008, B.A. Degree.

Professional Memberships

Residential Associate Member, Appraisal Institute

State of Florida – ST. CERT. GEN. RZ3707

Appraisal Courses and Seminars Completed

Appraisal Institute – “Basic Appraisal Principles” April, 2007 (30 Hours) Denver, CO

Appraisal Institute – “Basic Appraisal Procedures” April, 2007 (30 Hours) Denver, CO

Appraisal Institute – “15 Hour National USPAP Course” April, 2007 (15 Hours)
Denver, CO

Appraisal Institute – “Residential Market Analysis & Highest and Best Use” May, 2007
(15 Hours) Tampa, FL

Appraisal Institute – “Residential Site Valuation and Cost Approach” May, 2007 (15
Hours) Tampa, FL

Appraisal Institute – “Residential Sales Comparison & Income Approaches” July, 2007
(30 Hours) Miami, FL

Appraisal Institute – “General Appraiser Income Approach Part 1”
2008
(30 Hours) Tampa, FL

Appraisal Institute – “General Appraiser Sales Comparison Approach”
2009

(30 Hours) Ft. Lauderdale, FL
Appraisal Institute – “General Appraiser Market Analysis and Highest & Best Use”
2009 (30 Hours) Fort Lauderdale, FL

Appraisal Institute – “General Appraiser Report Writing and Case Studies”
2010 (30 Hours) Fort Lauderdale, FL

Appraisal Institute – “General Appraiser Site Valuation & Cost Approach”
2011 (30 Hours) Fort Lauderdale, FL

Types of Property Appraised

- Single Family Residences
- Single Family Condominium Units
- Small Income Producing Properties
- Vacant Residential Land
- Vacant Agricultural Land
- Mobile Homes
- Vacant Commercial Land
- Barrier Island Property
- Small Chain Restaurants
- Small Professional / Medical Office
- Light Industrial
- Flex Warehouses
- Office Condominium Units
- Strip Retail Centers
- Mobile Home Parks
- Office Buildings