

Appraisal Report

1506 West Horsetooth Property

North side of West Horsetooth Road
West of Shields Street
Fort Collins, Colorado

For

Ms. Helen Matson
Real Estate Services Manager
City of Fort Collins
300 LaPorte Avenue, Building B
Fort Collins, Colorado 80522

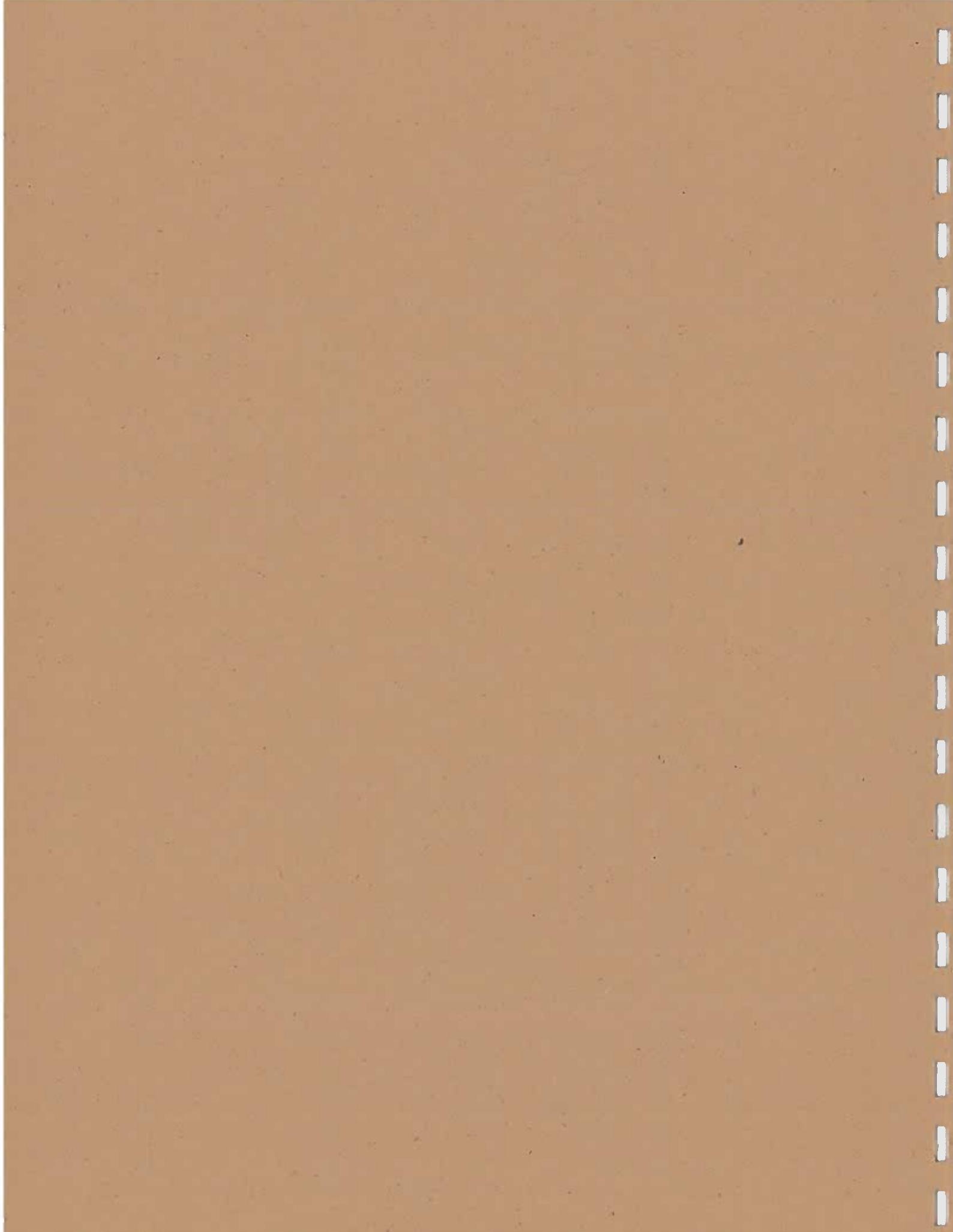
Dates of Value: September 16, 2014

Date of Report: October 17, 2014

By

Jon M. Vaughan, MAI, SR/WA
Foster Valuation Company LLC
West Point Professional Building
910 54th Avenue, Suite 210
Greeley, Colorado 80634

Federal Tax ID# 84-1157920



FOSTER VALUATION COMPANY LLC

October 17, 2014

Ms. Helen Matson
Real Estate Services Manager
City of Fort Collins
300 LaPorte Avenue, Building B
Fort Collins, Colorado 80522

RE: 1506 West Horsetooth Road Property

Dear Ms. Matson;

As requested, I have prepared an appraisal report detailing the results of my appraisal of the above-referenced property located on the north side of West Horsetooth Road, east of Shields Street in the City of Fort Collins, Colorado. The appraisal contains a total of 78 pages and is subject to the assumptions and limiting conditions set forth on pages 33 and 34.

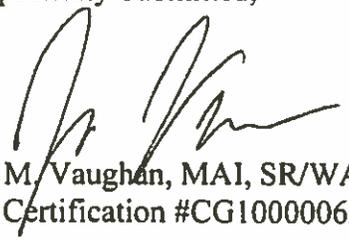
Property rights appraised are of the fee simple estate. Date of value is September 16, 2014. The purpose of this appraisal is to estimate the market value of the subject property, which is defined on page 4 of this report.

The report contains summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in our office files.

I have inspected the property and endeavored to consider all factors that affect value. Based on the investigation and analysis undertaken, I estimate the market value of the subject 1506 West Horsetooth Road Property as of September 16, 2014, to be as follows:

Fair Market Value (Unrestricted)	\$1,230,000
Market Value As Restricted.....	\$360,000

Respectfully Submitted,



Jon M. Vaughan, MAI, SR/WA
CO Certification #CG10000631

W. West Foster, MAI, CRE, SR/WA ♦ Sue Anne Foster, MAI, SRA
Jon M. Vaughan, MAI, SR/WA ♦ Christine M. Antonio, SR/WA ♦ Michael A. Smith

Certified General Real Estate Appraisers ♦ 910 54th Avenue, Suite 210, Greeley, Colorado 80634
Phone (970) 352-1117 ♦ FAX (970) 353-2753

Mathematical Analysis

The first part of the course deals with the theory of functions of a real variable. It begins with the study of sets and the real number system, followed by the definition of a function and its properties. The concept of limits is introduced, leading to the definition of continuity and the study of differentiable functions. The theory of integration is then presented, starting with the Riemann integral and moving on to the Lebesgue integral. The second part of the course focuses on the theory of differential equations, including ordinary and partial differential equations. The final part of the course covers the theory of vector spaces and linear transformations, leading to the study of eigenvalues and eigenvectors.

The course is designed to provide a solid foundation in mathematical analysis, which is essential for the study of advanced topics in mathematics and physics. The material is presented in a clear and concise manner, with numerous examples and exercises to illustrate the concepts. The course is suitable for students who have completed a first-year course in calculus and are interested in pursuing a degree in mathematics or a related field.

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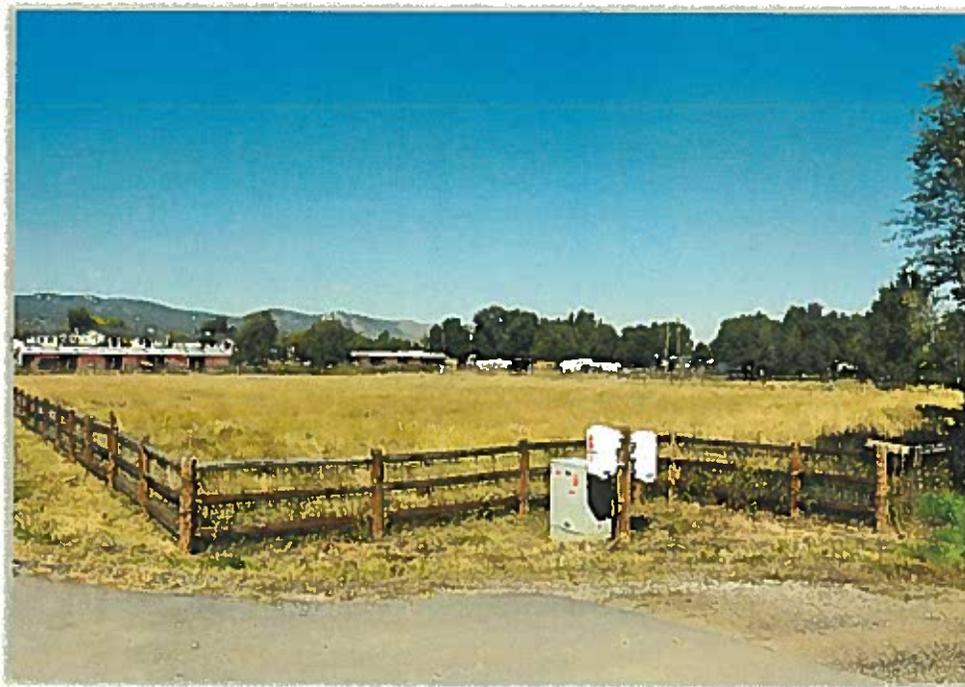
LMN Zoning Standards



Photographs of the
1506 West Horsetooth Road Property
Taken in September 2014



Looking northeasterly across the subject property
from Horsetooth Road



Northwesterly view across the subject property
from Horsetooth Road



SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Type:	Residential development land
Location:	1506 West Horsetooth Road, Fort Collins, Colorado
Property Rights Appraised:	Fee simple estate
Owner of Record:	The City of Fort Collins
Land Area:	361,266 square feet, or 8.294 acres
Zoning:	LMN (Low Density Mixed-Use Neighborhood) by the City of Fort Collins
Highest and Best Use:	Residential use
Exposure Time:	Within 12 months
Date of Value:	September 16, 2014
Date of Report:	October 17, 2014
Final Market Value Estimates:	
Unrestricted:	\$1,230,000
Restricted:	\$360,000
Water Tap:	\$30,500

IDENTIFICATION OF THE PROPERTY

The subject property is a tract of residential development land at 1506 West Horsetooth Road in the City of Fort Collins. The land area is 361,266 square feet, or 8.294 acres. The Larimer County assessor's records identify the subject property by Parcel Numbers 97274-00-912 and 97274-00-913.

LEGAL DESCRIPTION

The legal description of the subject property is as follows:

Parcel I:

Considering the South line of Section 27, Township 7 North, Range 69 West of the 6th P.M., as bearing N89°46'48"W and with all bearings herein relative thereto; Beginning at a point on the North line of the County Road right of way, whence the South Quarter (S¼) corner bears S00°03'35"E 30.00 feet and again N89°46'48"W 30.00 feet;

Thence N00°03'35"W 333.26 feet;

Thence S89°44'16"E 608.87 feet;

Thence S19°21'00"W 313.53 feet;

Thence S19°01'00"E 38.73 feet to a point on the North line of the right of way of the County Road;

Thence along said right of way N89°46'48"W 517.26 feet to the Point of Beginning, City of Fort Collins, Larimer County, Colorado.

Parcel II:

Considering the South line of Section 27, Township 7 North, Range 69 West of the 6th P.M., as bearing N89°46'48"W and with all bearings herein relative thereto; Beginning at a point on the North line of the right of way of the County Road whence the South Quarter (S¼) corner of said Section 27 bears S00°03'35"E 30.00 feet;

Thence N00°03'35"W 635.70 feet;

Thence S89°44'16"E 488.73 feet;

Thence S17°39'00"E 172.58 feet;

Thence S43°34'00"E 118.64 feet;
Thence S17°15'00"E 55.18 feet;
Thence N89°44'16"W 608.87 feet;
Thence S00°03'35"E 333.26 feet;
Thence N89°46'48"W 30.00 feet to the Point of Beginning, City of Fort
Collins, Larimer County, Colorado.

USE AND INTENDED USERS OF THE APPRAISAL

This report is intended for use by City of Fort Collins officials for internal decision-making purposes. The report has been prepared specifically to meet their requirements. No other use of this report is intended.

SCOPE OF WORK

This appraisal has been prepared in accordance with the USPAP Standards Rules 1 and 2. Standards Rule 1 has requirements and guidelines concerning the appraisal development, analyses, and process. Standards Rule 2 details requirements for the reporting of the appraisal.

This appraisal involves collection of relevant real estate sales information and general and specific data with respect to the property being appraised. The appraisal processes entails a search for recent property sales in the neighborhood or market area. This may be accomplished by interviewing and learning from property owners about known sales, searching county assessor's office records, searching Foster Valuation Company's in-house databases, requesting data from real estate brokers, local appraisers, title companies, or transaction principals and using any other data summary services that may be locally available, reliable, and appropriate. Impressions of those knowledgeable of the current local market and any information about recent trends that may bear on property values are also solicited.

Significant real estate transactions are researched and analyzed for their degree of similarity to the subject property by physically inspecting the properties,

viewing and examining recorded transfers of property deeds and documents, and considering construction costs of improvements obtained from either local contractors or other cost publication sources. For properties deemed to be appropriate and reliable indicators of value, verification with either buyer or seller is made to confirm the details of the transaction. Any additional data necessary for estimating the value of the site and any improvements are gathered according to the circumstances of the individual appraisal assignment. A thorough investigation and analysis of comparable market data has taken place, and all appropriate valuation techniques were employed to formulate a final opinion of market value.

TYPE AND DEFINITION OF VALUE

The type of value estimate in this appraisal is to develop an opinion of the market value of the subject parcel. The definition of market value is as follows:

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:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto;
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

¹ A current economic definition agreed upon by agencies that regulate federal financial institutions in the United States of America.

PROPERTY RIGHTS APPRAISED

Property rights appraised are those of the fee simple estate, defined as "absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."²

DATE OF VALUE

The date of value is September 16, 2014, which corresponds to the final property inspection.

OWNERSHIP AND PROPERTY HISTORY

According to the public records of Larimer County, Colorado, title to the subject property is held by The City of Fort Collins. The property was purchased from Horsetooth Land and Livestock, LLC on February 24, 2003, at a price of \$750,000. The warranty deed conveying title to the property was recorded in Larimer County records at Reception Number 20030025626. There have been no other transfers of ownership interest that have a bearing on the current market value of the subject property.

²*The Dictionary of Real Estate Appraisal*, Fifth Edition (Chicago: Appraisal Institute, 2010), p. 78.



REGIONAL AND CITY DATA

The property being appraised is located in the City of Fort Collins, Colorado. The City of Fort Collins is the county seat and principal city in Larimer County. The current estimated population for Fort Collins is 155,400. The city has sustained substantial population growth over the past four decades.

Environmental Factors

Geographic Location and Climate - Larimer County forms the north boundary of nine counties comprising the Front Range Corridor. The corridor extends north from Pueblo, adjacent to the east side of the Rocky Mountains, and contains nearly 80 percent of the state's population. Fort Collins is situated 65 miles north of Denver and 45 miles south of Cheyenne, Wyoming. The elevation of the city is just over 5,000 feet. The climate is moderate, with annual precipitation of approximately 15 inches, most of which occurs in the spring. July is the warmest month with an average high of 86°F, and January is generally the coolest month with an average high of 42°F.

Transportation - The City of Fort Collins is located immediately west of Interstate 25, a major north-south route through the Rocky Mountain States. U.S. Highway 287, also known as College Avenue, is the main north-south, inter-city route. East-west traffic is served by Colorado State Highway 14 (Mulberry Street), which transects the northern part of the city, and Harmony Road, which accesses the southern sector. The Northern Front Range transportation network appears to adequately serve the businesses and industries in the Fort Collins area. Businesses active in regional markets are well served by Interstate 25, which connects with Interstate 70 to the south in Denver and Interstate 80 to the north in Cheyenne.

The Fort Collins/Loveland Municipal Airport, with an 8,500-foot paved runway, is located 15 miles southeast of downtown Fort Collins. Denver International Airport (DIA) is an approximate one and one-half hour drive from Fort Collins and is easily reached via regularly scheduled limousine service. The terminal building of DIA contains approximately 1.5 million square feet of public space, supported by 53 square miles of land area. DIA has five 12,000-foot runways, 3 concourses, and 93 gates. A 16,000-foot runway was put into service in September of 2003, making it the largest commercial runway in North America. With approximately 30 carriers operating passenger service, DIA handles 1,550 flights and averages over 140,000 passengers daily. Several truck carriers, along

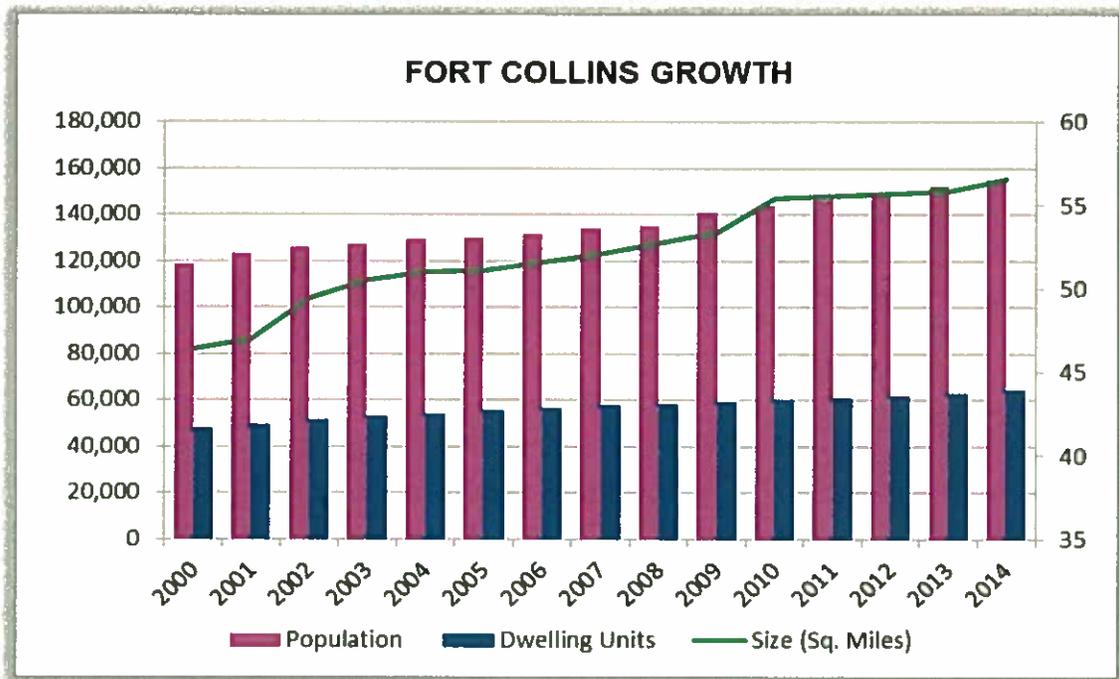
with Union Pacific and Burlington Northern rail carriers, serve Fort Collins. Transfort is the city's bus system. Additionally, the MAX bus rapid transit project extends from downtown to Harmony Road within the Mason Street Corridor.

Summary - In conclusion, the City of Fort Collins has much to offer with respect to its geographic location and climate. Because of its transportation network, goods and services can flow efficiently; and residents are afforded easy accessibility to other parts of the nation and to nearby recreational areas. These factors exert a positive influence on the Fort Collins area in general.

Social Factors

From a social standpoint, there are numerous reasons why residents choose to live and work in the Fort Collins area. Educational opportunities are excellent; medical care is good; and there is relatively little crime. Both business and residential properties are generally well maintained.

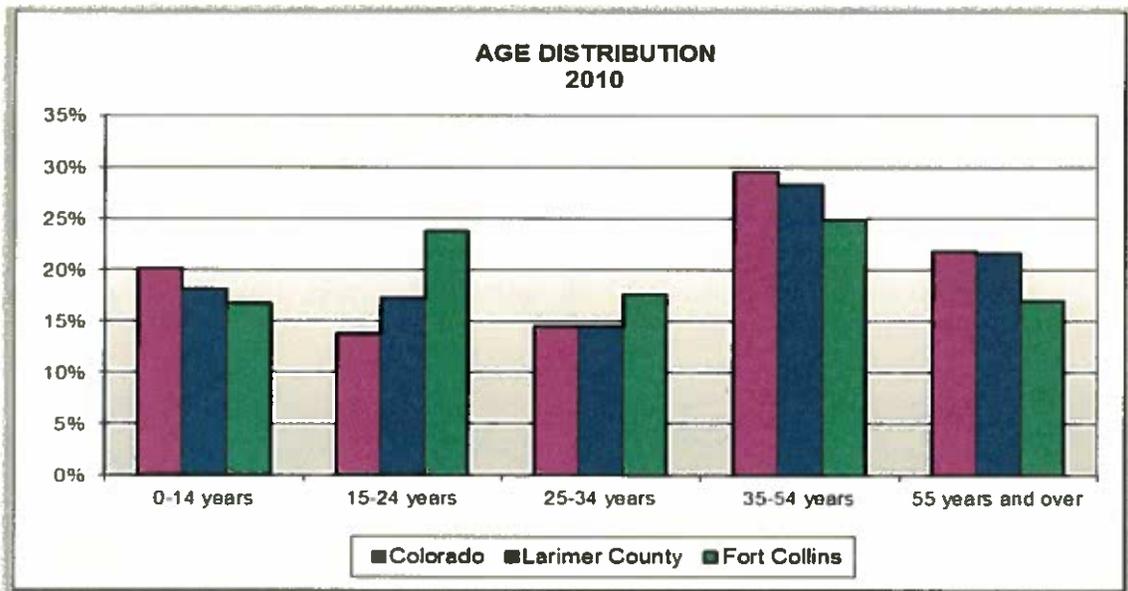
Population and City Growth - The following charts outline past trends in size, population, and residential construction activity through 2014, the most recent information available from the city.



Source: Fort Collins Advanced Planning Department

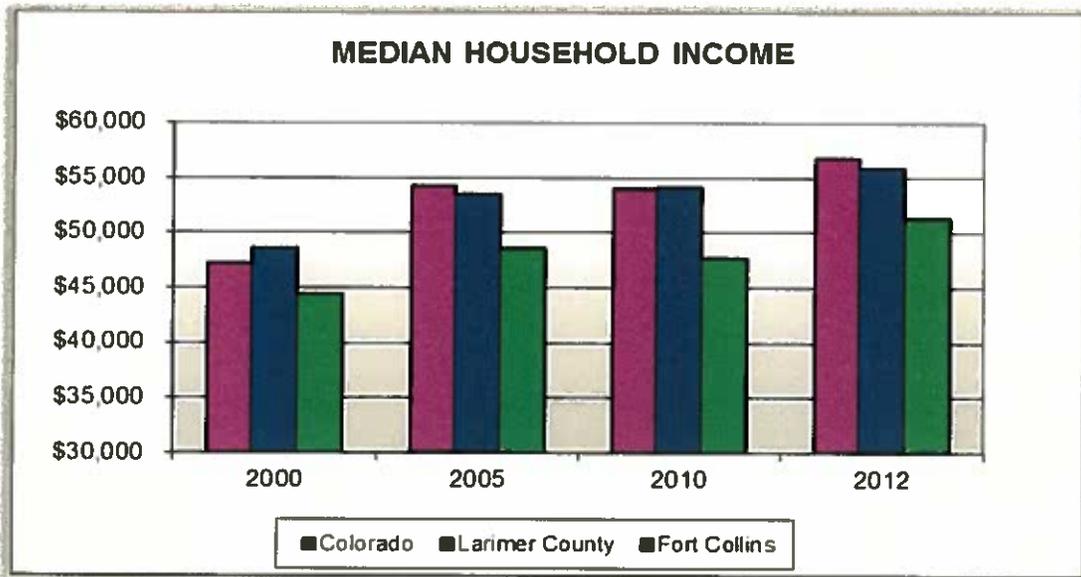
People have been migrating to Fort Collins for many years because of the quality of life. The average household size is approximately 2.4 people per dwelling unit, which represents a slight increase after years of decline. As illustrated in the preceding chart, the land area of the city is 56.6 square miles, which has been relatively stable since 2010. This is partly attributable to the city planning department's focus on infill redevelopment over greenfield annexation.

Age Distribution - The following chart compares the current populations of Colorado, Larimer County, and Fort Collins by age group.



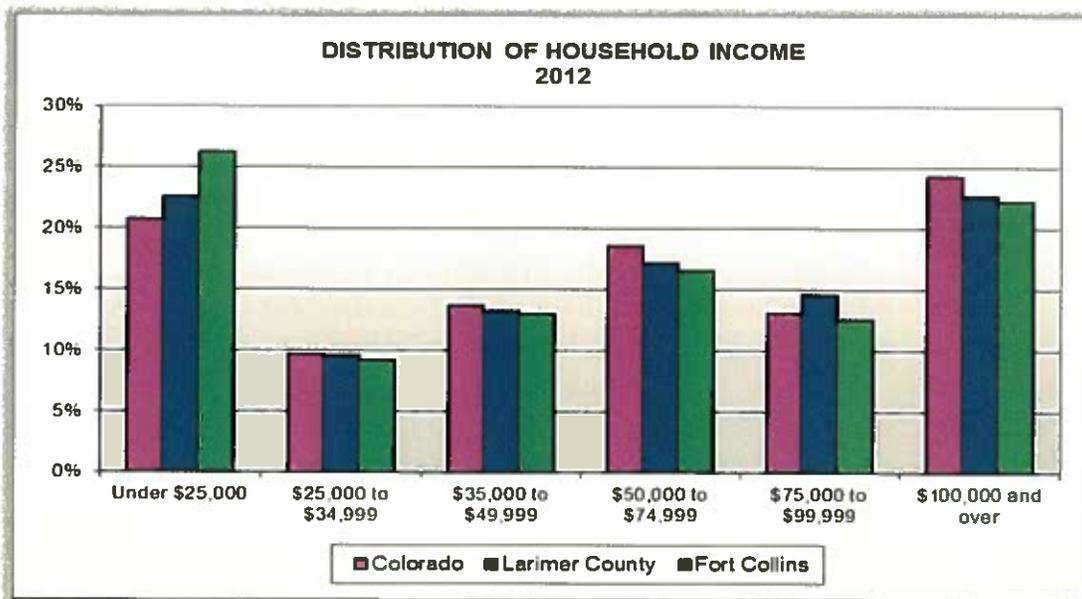
Source: U.S. Census Bureau

Income - Median household income (MHI) in the Fort Collins area and the distribution of households by income have historically been below the state and county averages. This is due to the influence of Colorado State University students, which comprise nearly 20 percent of the population, but earn substantially less than the median household income. Income in Fort Collins, as compared to Colorado and Larimer County, is illustrated in the following chart.



Source: U.S. Census Bureau, American Community Survey

The distribution of household income in Colorado, Larimer County, and Fort Collins is shown in the following chart.



Source: U.S. Census Bureau, American Community Survey

Education - The educational opportunities in Fort Collins are good. The Poudre School District provides primary education to the community. Facilities available for higher education in the community include Colorado State University (CSU) and Front Range Community College. CSU has an enrollment of 26,775

students, and Front Range has approximately 4,100 full-time students. Both play major roles in supporting the business community.

Healthcare - Fort Collins offers regional medical care at the 270-bed Poudre Valley Hospital. The facility, which is part of the University of Colorado Health network, has more than 550 active staff physicians, which includes nearly every specialty. In addition to the primary campus, the Harmony Campus outpatient facility, which is situated in the southeast corner of Harmony and Timberline Roads, provides urgent care and specialty services.

Banner Health is also building a medical center in the southeastern portion of the City to compete with Poudre Valley Hospital. The initial facility, which is scheduled to open in April of 2015, will include 24 inpatient beds, an emergency department, surgical services, and medical imaging, as well as labor and delivery rooms. Overall, Fort Collins is well served by medical care facilities.

Recreational and Cultural Facilities - Recreational opportunities are excellent and add to the high quality of living environment observed in Fort Collins. Recreational facilities include an extensive city park system, public swimming pools, a recreational center, a senior center, public and private golf courses, and tennis courts. Additionally, outdoor recreation amenities abound in the area with the Rocky Mountain foothills adjacent to the west edge of the city. Cultural facilities include the Lincoln Center for the performing arts, the Fort Collins Museum of Contemporary Art, and numerous local performance venues and studios. In general, community facilities are in excellent condition and contribute to a high quality of lifestyle.

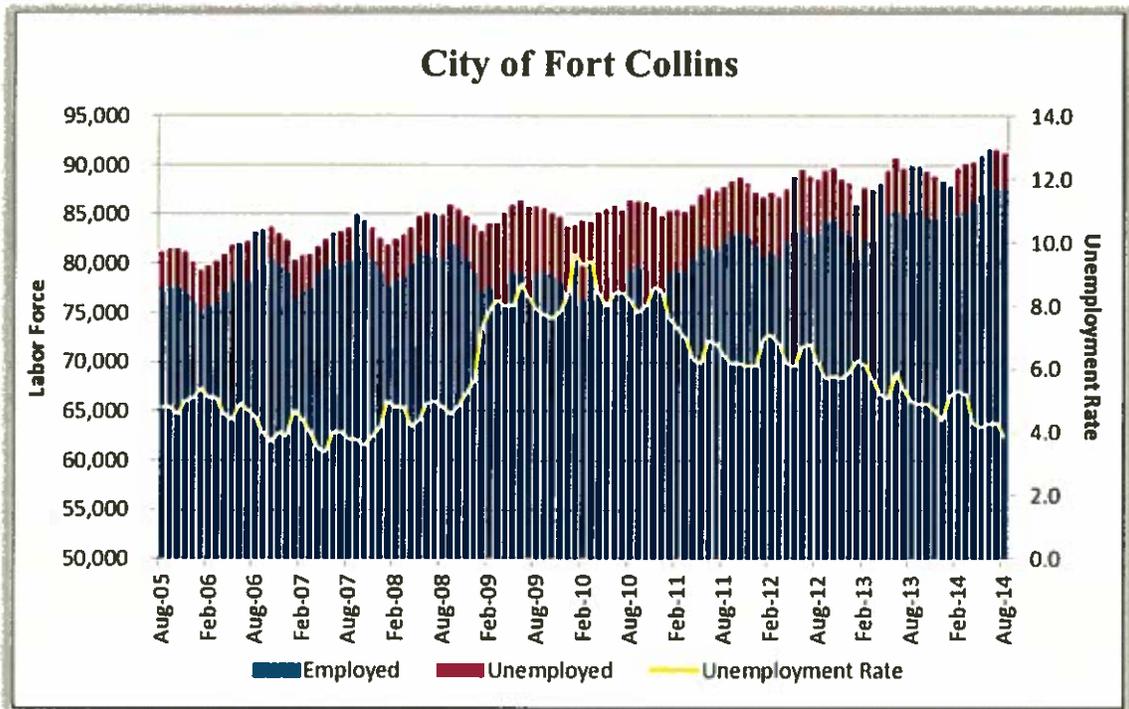
Summary - The median household income for Fort Collins is lower than the state average due to its higher percentage of population below the age of 24 and the number of service related jobs in the area. The recreational and cultural amenities in Fort Collins provide a high quality of lifestyle, which, combined with the well-educated population makes Fort Collins attractive to employers.

Economic Factors

The Fort Collins economy was originally based on agricultural production. As a result of good, productive soil and the extensive irrigation systems, Larimer County ranks high among Colorado's 65 counties in total value of agricultural products sold. The area has a growing season of 144 days, which is adequate for wheat, oats, barley, corn, sugar beets, pinto beans, and alfalfa.

Although agriculture is still a component, Fort Collins has seen its economic base diversify considerably. The local economy is driven by a wide variety of employers, such as Colorado State University, Woodward Governor, University of Colorado Health (formerly Poudre Valley Health System), Agilent Technologies, Avago, Hewlett Packard, and Anheuser-Busch. Additionally, small and mid-sized companies employ more than 60 percent of the local workforce, which creates a relatively stable employment base.

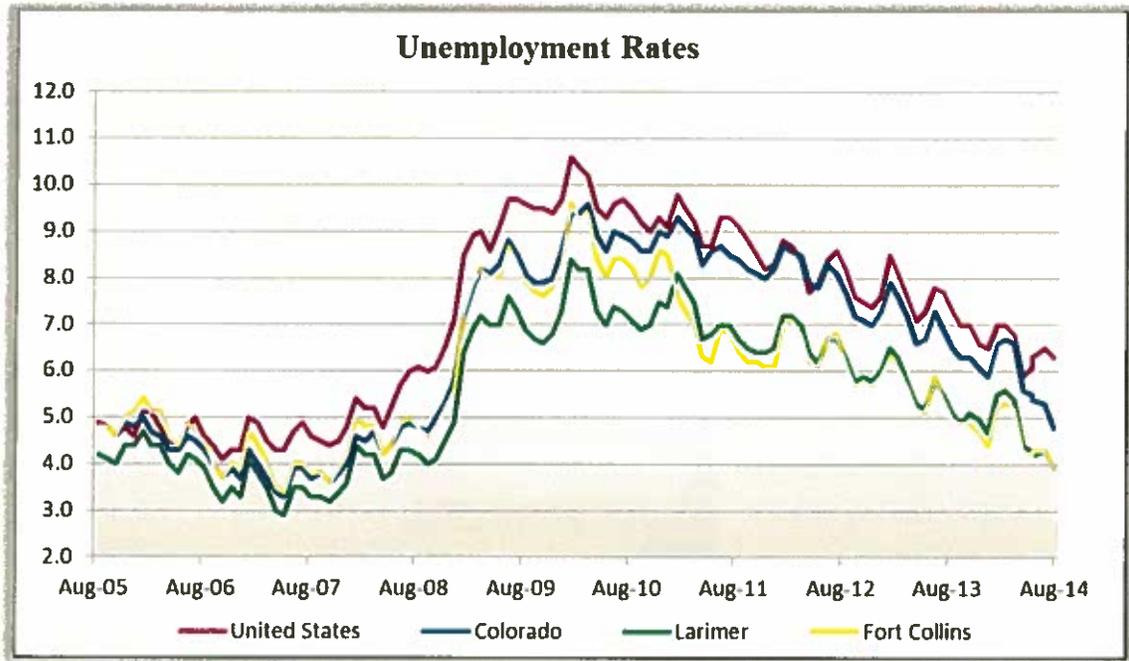
Fort Collins Labor Force - The following City of Fort Collins labor force statistics illustrate the employment trends of the area.



Source: Colorado Department of Labor & Employment

Larimer County and the City of Fort Collins feature stronger labor markets than the overall statistics reported for the state or national levels. Recent data show year over year employment growth of approximately 2.9 percent, and the unemployment rate in Fort Collins declined to 3.9 percent from 5.0 percent in the same period last year.

Unemployment - The City of Fort Collins has consistently outperformed Colorado and the nation throughout the economic recovery. Comparative employment information, through the most current available statistics, can be seen in the following exhibit.

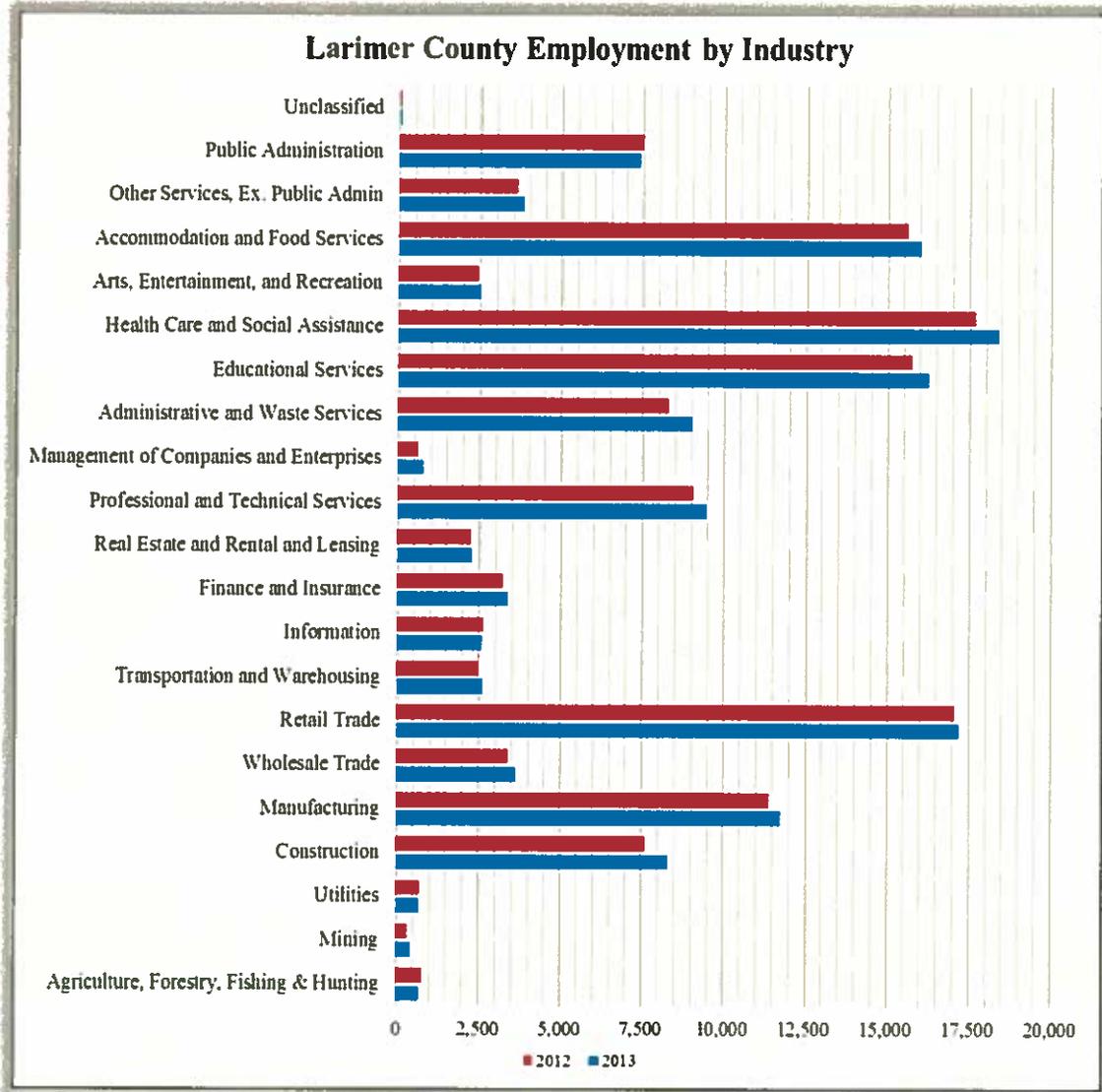


Source: Colorado Department of Labor & Employment

As shown in the preceding chart, unemployment has been declining as the economy recovers. This is partly due to the influence of Colorado State University, which is the single largest employer in Fort Collins. In addition to providing a significant portion of the total employment in the City, numerous companies have been built on innovations developed at the university.

Colorado State University's main campus contains 642 acres situated in the central portion of the city. The university is renowned for its Veterinary Medicine program, which is ranked second in the nation and is Colorado's highest nationally ranked academic program. Additionally, CSU is internationally known for its green initiatives and clean-energy research including alternative fuels, clean engines, photovoltaics, smart grid technology, wind engineering, water resources, and satellite-based atmospheric monitoring and tracking systems. It is also known as a "green" university for its sustainability efforts on campus and abroad.

Employment by Industry - The economic base in the Fort Collins area is relatively well diversified, which may tend to mitigate the effect that an economic setback in any one industry would have on the overall economic security of the city. The following chart shows the composition of the civilian labor force in Larimer County by industry in 2012 and 2013, the most recent period for which data have been released.



Source: Colorado Department of Labor & Employment

According to the data compiled by the Colorado Department of Labor and Employment, the largest sectors of the Fort Collins MSA labor force are Health Care, followed by Retail Trade, and Education services. Administrative and Waste Services and Construction provided the largest overall employment gains, with 733 and 716 jobs added in 2013, respectively.

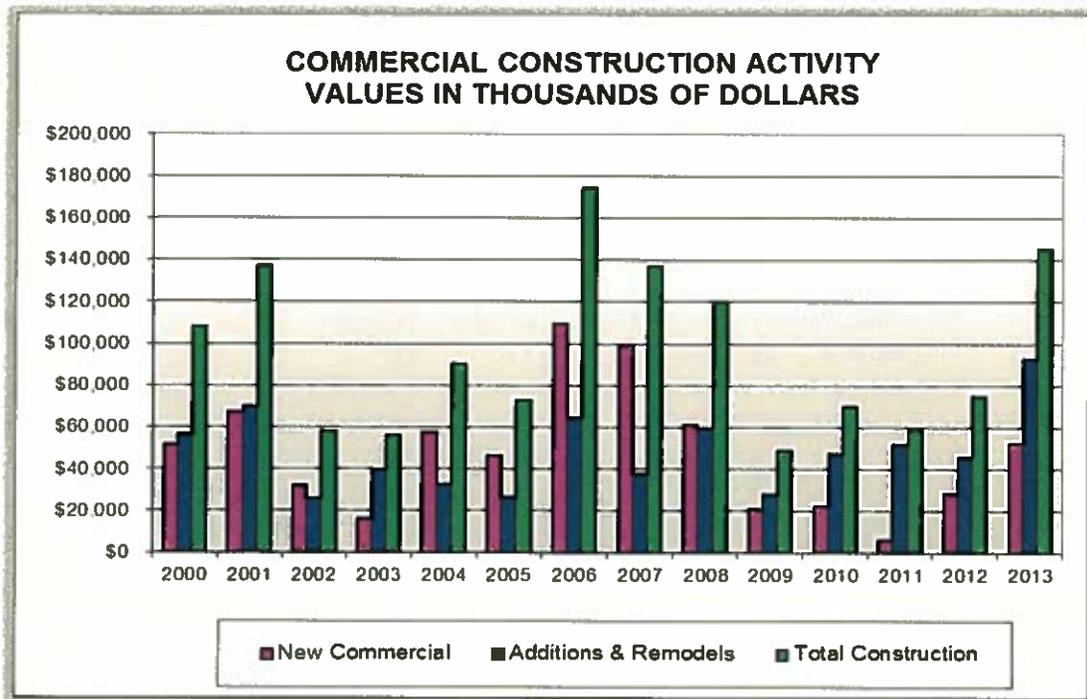
Retail Sales - To ascertain an understanding of the overall retail sector of the Fort Collins market, the following table illustrates retail sales segregated by business classification. These data represent the most recent figures available from the Colorado Department of Revenue.

Retail Sales in Fort Collins in Thousands of Dollars (Calendar Years 2009-2013)						
Alpha Codes	Category	2009	2010	2011	2012	2013
D	Construction	\$53,601	\$56,237	\$64,733	\$64,733	\$96,543
E	Manufacturing	\$153,612	\$235,684	\$176,403	\$176,403	\$181,495
F	Wholesale Trade	\$186,207	\$212,975	\$242,781	\$242,781	\$224,709
G1	Motor Vehicles and Parts	\$338,138	\$390,514	\$442,562	\$442,562	\$507,406
G2	Furniture/Furnishings	\$72,096	\$73,041	\$74,374	\$74,374	\$90,617
G3	Electronics/Appliance	\$70,026	\$74,573	\$66,811	\$66,811	\$60,248
G4	Bldg. Materials/Nursery	\$159,665	\$167,849	\$165,129	\$165,129	\$195,513
G5	Food/Beverage Stores	\$408,052	\$417,765	\$453,056	\$453,056	\$520,607
G6	Health/Personal Care Stores	\$88,885	\$99,102	\$109,959	\$109,959	\$107,131
G7	Gas Stations	\$96,677	\$115,931	\$142,318	\$142,318	\$131,169
G8	Clothing/Accessories	\$89,179	\$90,357	\$101,143	\$101,143	\$99,754
G9	Sporting/Hobby	\$93,880	\$97,519	\$104,266	\$104,266	\$115,233
G10	General Merchandisers/W	\$370,660	\$376,041	\$384,154	\$384,154	\$391,211
G11	Misc. Store Retailers	\$94,957	\$113,575	\$131,172	\$131,172	\$176,129
G12	Non-Store Retailers (online)	\$14,036	\$15,004	\$13,315	\$13,315	\$28,723
H	Transportation/Warehouse	\$46,074	*	*	*	*
I	Information	\$113,006	\$111,210	\$113,516	\$113,516	\$144,135
J	Finance/Insurance	\$18,092	\$16,366	\$11,819	\$11,819	\$12,439
K	Real Estate/Rental/Lease	\$54,141	\$63,818	\$55,601	\$55,601	\$67,405
L	Professional/Science/Tech	\$129,137	\$182,669	\$199,196	\$199,196	\$174,833
N	Admin/Support/Waste/Re	\$60,277	\$57,985	\$57,532	\$57,532	\$56,039
Q	Arts/Entertain/Recreation	\$29,744	\$28,501	\$27,365	\$27,365	\$28,312
R1	Accommodation/Food	\$32,098	\$38,487	\$44,894	\$44,894	\$53,894
R2	Food/Drinking Services	\$293,323	\$304,760	\$325,496	\$325,496	\$356,858
S	Other Personal Services	\$102,636	\$99,753	\$118,155	\$118,155	\$140,551
Total Retail Trade (G1-G12)		\$1,896,251	\$2,031,271	\$2,188,259	\$2,188,259	\$2,423,741
% Change in Total Retail Sales		-8.76%	7.12%	7.73%	7.73%	10.76%
Grand Total of Retail Sales (D-S)		\$3,168,199	\$3,439,716	\$3,625,750	\$3,625,750	\$3,960,954
% Change in Grand Total of Sales		-12.58%	8.57%	5.41%	5.41%	9.25%
Source: <i>Colorado Dept. of Revenue</i> * Not disclosed to protect confidentiality						

Retail sales have been growing steadily over the past few years, despite the high vacancy rate at the Foothills Mall. The mall is currently being redeveloped with 660,000 square feet of retail space, up to 800 apartments, a 10-screen cinema, and a parking garage. The redeveloped mall is currently scheduled to open for the 2015 holiday season. Other recent retail construction has primarily been focused on the northern and southeastern gateways into the City. North College Marketplace, a grocery-anchored retail center opened in 2011 in the northeast

quadrant of North College Avenue and Willox Lane. This center is anchored by a 123,000-square-foot King Soopers Marketplace. In the southeastern portion of the city, Bayer Properties Inc., developed a power center named Front Range Village in the northwest quadrant of Harmony and Zeigler Roads. The center opened in 2008 with 900,000 square feet of retail space and 80,000-square feet of office space anchored by Lowe's Home Improvement and SuperTarget.

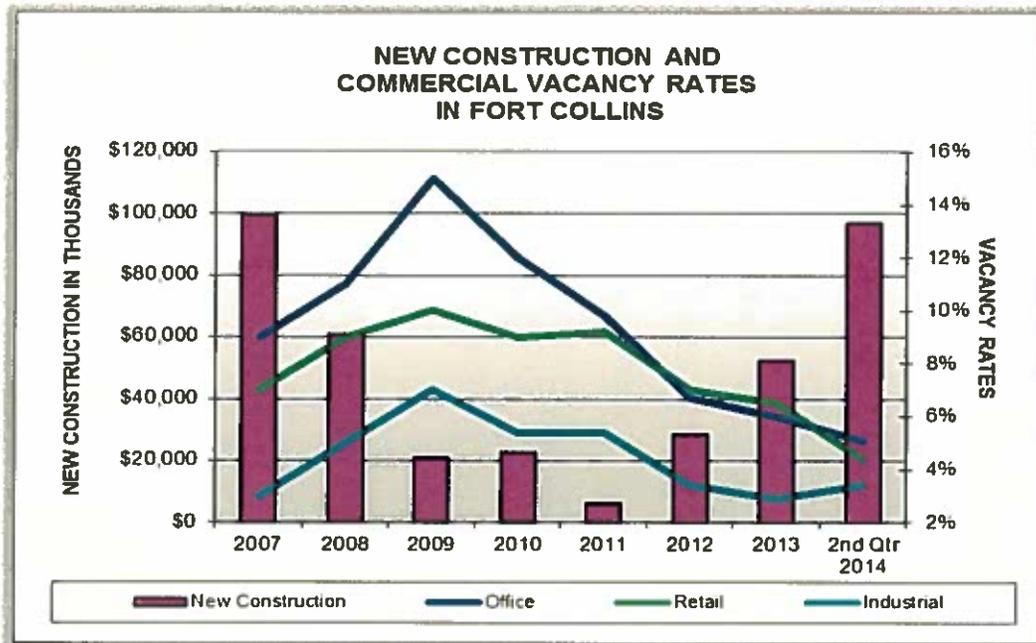
Commercial Construction - The following chart illustrates investments in new commercial construction from 2000 through 2013.



Source: Building Inspection Department, City of Fort Collins

The current pace of commercial construction exhibits a significant increase from that experienced in recent years. Looking forward, two recently announced projects will bolster commercial construction activity in the next few years, and add several hundred permanent jobs upon completion. The largest project is the construction of Woodward Governor's world headquarters on the site of the former Link-n-Greens golf club in the northwest quadrant of Mulberry Street and Lemay Avenue. Woodward plans to begin construction of the first phase of its 871,000-square-foot facility on the 101-acre site in 2014. Additionally, Avago is constructing a \$20 million, 138,000-square-foot expansion to its campus in the northeast quadrant of Harmony and Zeigler Roads.

Commercial and Industrial Vacancies - Vacancy levels have been rising slightly. The following chart compares vacancy rates with new construction value from 2007 through the most current data available.



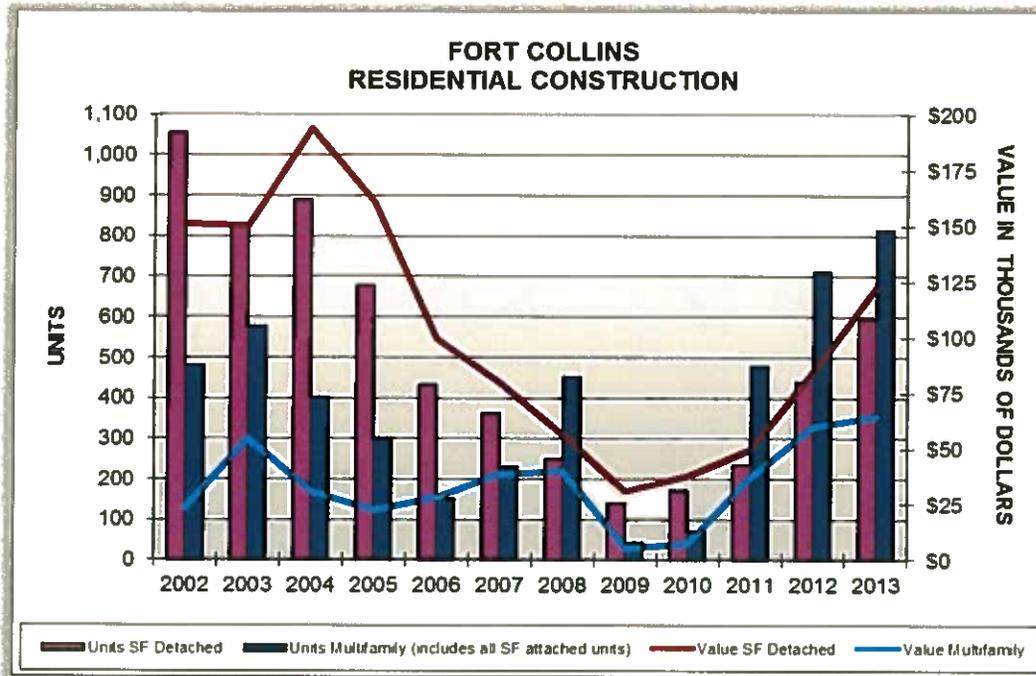
Source: *Building Inspection Department, City of Fort Collins and Xceligent.*

Office - After rising sharply from 2007 to 2009, office vacancies have declined to more typical levels. Limited new office construction coupled with employment growth has helped lower office vacancies to near 5 percent. This has begun to shift the bargaining power from the tenants to the landlords.

Retail - The Fort Collins retail market appears to be recovering, with vacancy rates declining to below 5 percent in 2014. The redevelopment of the Foothills Mall is anticipated to have a significant impact on the Midtown neighborhood.

Industrial - The industrial vacancy rate in Fort Collins has been fluctuating but is currently below 4 percent. Increasing costs of construction materials have made new construction rise above \$100 per square foot, which constrains the feasibility of building new facilities for many users. As a result, new industrial construction has been limited over the past few years.

Residential Construction - Historical trends for residential construction in Fort Collins are shown in the following chart.



Source: Building Inspection Department, City of Fort Collins

Residential construction has experienced substantial growth over the past few years in both single-family and multifamily properties. Through July of 2014, the City issued permits for 402 single-family homes and 403 multifamily units. Information compiled in a comprehensive study in 2007 by the City of Fort Collins Planning Department indicated that there were approximately 56,441 residential dwelling units in the city, of which 62 percent are single-family, detached homes; and 38 percent, are multifamily dwellings. As a result of the real estate market downturn and elevated foreclosure rate, multifamily development has been the primary focus of residential construction activity in recent years, and attached dwellings now comprise nearly 40 percent of residential units in the City.

The residential market in the City of Fort Collins has surpassed pre-downturn peaks in median sale price and sales volume. In August of 2014 the \$275,000 median sale price represents an all-time high for the Fort Collins area. The following table shows the median sale price of the combined categories of housing in Fort Collins, from 2000 through August of 2014.

FORT COLLINS SINGLE-FAMILY RESIDENTIAL SALES STATISTICS						
Year	No. Sold	% Change	Dollar Value	% Change	Median Sales Price	% Change
2000	2,735	-6.2%	\$601,250,745	4.5%	\$187,900	11.2%
2001	3,137	14.7%	\$737,265,988	22.6%	\$205,000	9.1%
2002	2,967	-5.4%	\$723,090,582	-1.9%	\$214,400	4.6%
2003	2,804	-5.5%	\$698,537,101	-3.4%	\$218,000	1.7%
2004	3,072	9.6%	\$778,405,669	11.4%	\$220,000	0.9%
2005	3,066	-0.2%	\$818,995,883	5.2%	\$229,900	4.5%
2006	2,888	-5.8%	\$783,512,471	-4.3%	\$230,000	0.0%
2007	2,842	-1.6%	\$780,569,768	-0.4%	\$235,000	2.2%
2008	2,421	-14.8%	\$666,636,335	-14.6%	\$233,000	-0.9%
2009	2,270	-6.2%	\$593,549,294	-11.0%	\$226,000	-3.0%
2010	2,289	0.8%	\$610,639,369	2.9%	\$232,000	2.7%
2011	2,304	0.7%	\$630,116,526	3.2%	\$237,000	2.2%
2012	2,800	21.5%	\$787,601,215	25.0%	\$245,950	3.8%
2013	3,240	15.7%	\$971,647,198	23.4%	\$261,000	6.1%
8/2014	2,181		\$692,837,279		\$275,000	5.4%

Source: Multiple Listing Service - www.iresis.com

Summary - Although agriculture still influences the economic base, Fort Collins has undergone an economic transition from agriculture to industry. The substantial industrial expansion in the Fort Collins area has broadened the economic base and provides a stable foundation for continued economic growth.

Governmental Factors

The City of Fort Collins has a well-respected government, providing a sound infrastructure. Land use and new development is guided by the comprehensive plan, referred to as City Plan, which was originally adopted in 1997 and updated in 2010. The updated City Plan guides development decisions, transportation and utility planning, and capital improvements with a focus on innovation, sustainability, and connectivity. One notable shift was a reduction in single-family residential development densities. The original plan required increased relatively high density residential development to reduce urban sprawl, but it had the unintended consequence of driving low density development to surrounding communities, thereby fueling sprawl rather than reducing it. In addition to focusing on sustainable development and the economic health of the

City, officials are pursuing connections to open space and recreational amenities, which is intended to enhance the quality of life for Fort Collins residents.

The city operates its own water utility and wastewater treatment facilities. Developers must satisfy the city's raw water requirements when they obtain a building permit. Additionally, for new developments, the city charges "Plant Investment" (connecting) fees that are based on meter sizes.

Real estate and city sales taxes are the major source of funds for the local government. Commercial and industrial properties are assessed, like the rest of the state, at 29 percent of actual value; and residential properties, at 7.96 percent. The individual property taxes are then determined by mill levies that are set annually in December. The tax rate is reasonably comparable to other communities in the state.

The State of Colorado imposes a 2.9 percent sales tax and the City of Fort Collins imposes a 3.85 percent tax on gross receipts from retail sales. Larimer County imposes a 0.6 percent sales tax, resulting in a 7.35 percent total sales tax. Taxes appear reasonable but are slightly higher than surrounding communities.

Summary

In conclusion, Fort Collins has experienced job and population growth because of its climate, recreational opportunities, general quality of life, and educational opportunities available. Proximity to the Rocky Mountains provides easy access to mountain recreational activities. The stability provided by Colorado State University, as well as growth in advanced technology, should bolster the economy in the future.

Home prices in the City of Fort Collins have strengthened in recent years, and new construction of single-family and multifamily properties has shown significant increases in recent years. Overall, the long-term economic climate is relatively positive as applied to real estate values in general and the subject property in particular.

NEIGHBORHOOD DATA

A neighborhood is generally described as a group of complementary land uses. They may be similar due to physical characteristics and/or social, economic, and governmental forces. The following information is provided to better understand the subject and the surrounding influences affecting the value of the subject property. A neighborhood map can be found on the following page.

Location

The property being appraised is located in the western residential portion of midtown Fort Collins.

Boundary Description

The neighborhood is bounded on the east by the Burlington Northern Railroad, just west of Mason Street, where uses shift from predominately residential to commercial uses within the College Avenue corridor. West Drake Road forms the northern boundary, where residential and commercial uses shift focus to primarily serve the needs of the Colorado State University community. The foothills create a physical barrier to development on the western edge of the neighborhood, and Overland Trail generally delineates the western boundary. Harmony Road marks the southern neighborhood boundary, where residential development generally shifts to more estate and rural densities. These boundaries generally encompass a land area of roughly five square miles.

Accessibility

Access is via a grid system with the main east-west arterials being Drake, Horsetooth, and Harmony Roads. Shields Street and Taft Hill Road form the primary north-south routes. The neighborhood features good accessibility throughout, and convenient access to other parts of the City.

Land Uses

The neighborhood is roughly 90 percent developed. Land uses in the neighborhood encompass a broad mix of residential uses with pockets of commercial at the primary intersections along Shields Street, as well as Drake, Horsetooth, and Harmony Roads. Residential uses include a broad spectrum of price points from affordable multifamily and manufactured housing communities to luxury estates nestled against the foothills. Moderately priced detached single-family residential dwellings comprise the majority. The development of Spring Canyon Park at the west end of Horsetooth road has exerted a positive influence on the neighborhood. This regional park includes more than 100 acres, providing baseball fields, basketball and tennis courts, playgrounds, a dog park, a mountain bike terrain park, and acres of sports fields. The park is linked to the Spring Creek trail system, which extends across most of the City. Commercial developments primarily include unanchored retail centers such as Cimmaron Plaza and Poudre Valley Plaza, which are situated along Shields Street at Drake and Horsetooth Roads, respectively.

Zoning

The neighborhood zoning regulations are influenced by the City of Fort Collins in a majority of the area and Larimer County affects a small enclave in the southwestern corner. Zoning is a mixture of residential and commercial mixed-use neighborhoods of varying densities, as well as public open lands.

Trends

The path of growth in the neighborhood was from north to south during its growth phase, with the most recent developments extending along Harmony Road. The City's path of growth in recent years has shifted to the east, toward Interstate 25 and away from the subject neighborhood. Nevertheless, City officials are currently focusing their attention on infill development, and prefer to limit the expansions to the land area encompassed by the city. These restrictive growth policies will help to fuel development in existing infill sites within the city. New construction is limited within the neighborhood. The most recent project is the Global Village Charter School, which is situated in the northwest corner of Horsetooth and Taft Hill Roads. A few years ago, a grocery-anchored retail center was proposed for a site in the northwest corner of Harmony Road and Shields Street, but the tract remains vacant. Residential construction is occurring in the Harmony Ridge development, just south of Harmony Road between Shields Street

and Taft Hill Road. This project includes luxury townhomes and single-family homes. Although there has been limited new development within the neighborhood, primary employers, including Colorado State University, the Centers for Disease Control, and numerous technology companies throughout the City provide a relatively strong economic base and provide stability to the neighborhood.

Utilities

A majority of the neighborhood is served by all utilities necessary for residential, commercial, and light industrial development. Except for natural gas, utilities are provided by the City of Fort Collins. They include water, sewer, and electricity. Phone service is available through CenturyLink and other providers. Natural gas service is provided by Xcel Energy. Various private companies haul the trash. Cable television is provided by Comcast throughout the neighborhood, and satellite providers, such as Dish Network and DirecTV provide competition. Public transportation is available via the Fort Collins Transfort bus system.

Maintenance Level

Most properties receive ongoing appropriate care.

Conclusions

The subject neighborhood has experienced limited development, and is in the stability stage of the neighborhood lifecycle. Although sites remain available for additional development, the majority of development interest has been focused on areas surrounding Colorado State University and downtown, as well as the southeastern portion of the City. Overall, the forces of value in the neighborhood exert a generally stable influence on the subject property.

ZONING

City of Fort Collins officials have zoned the property being appraised L-M-N (Low Density Mixed-Use Neighborhood). The intent of this district is to provide a setting for a predominance of low density housing combined with complementary and supporting land uses that serve a neighborhood, and are developed and operated in harmony with the residential characteristics of a neighborhood. The main purpose of the District is to meet a wide range of needs of everyday living in neighborhoods that include a variety of housing choices that invite walking to gathering places, services and conveniences, and that are fully integrated into the larger community. A neighborhood center provides a focal point, and attractive walking and biking paths invite residents to enjoy the center as well as the small neighborhood parks. Any new development in this district shall be arranged to form part of an individual neighborhood.

Typically, Low Density Neighborhoods will be clustered around a Medium Density Mixed-Use Neighborhood with a Neighborhood Commercial Center at its core. This zoning allows residential development ranging in density from four to eight dwelling units per acre. However, affordable housing projects containing ten acres or less and phased developments are allowed to develop up to twelve dwelling units per acre.

Due to the length, a copy of the L-M-N zoning requirements is provided in the Addendum to this report.

ASSESSED VALUE AND TAXES

The subject site is identified by the Larimer County assessor's office as Parcel Numbers 97274-00-912 and 97274-00-913. The property is owned by the City of Fort Collins and is not being taxed.

PROPERTY DESCRIPTION

The subject site is illustrated in the following assessor's aerial image. Although there are agricultural structures and a modest house on the site, these structures would be razed upon development of the site, and do not contribute to value.



Physical Characteristics

Access - The site is accessed by Horsetooth Road, which extends along the south edge of the site. Horsetooth Road is a primary arterial that extends east-west from west of Taft Hill Road to Zeigler Road on the eastern edge of the City. This provides good accessibility.

Shape and Size - As shown on the assessor aerial image, the site features a slightly irregular shape along the eastern property boundary, which is formed by the Pleasant Valley and Lake Canal. The land area is estimated to be 361,266

square feet, based on a computer-generated map developed from the legal description.

Topographical Features - A USGS, 7.5-minute topographic map (Fort Collins Quadrangle) shows the site at an elevation of approximately 5,100 feet. The site slopes gently downward to the east, toward the Pleasant Valley and Lake Canal. Surface drainage is good.

Utilities - All typical municipal utilities are available to the site. The City of Fort Collins provides electricity and sewer services. The Fort Collins Loveland Water District provides water service. Xcel Energy supplies natural gas.

Easements and Encumbrances - No title policy or recorded plat was available for review. No easements that would be detrimental to the utility of the property or its value were evident upon inspection of the property.

Flood Hazard - According to the Federal Emergency Management Agency's Flood Insurance Rate Map for Larimer County, Colorado, *Community-Panel Number 08069C 0986G*, revised date May 1, 2012, the subject site is not located within a flood-hazard area.

Hazardous Substances - No environmental site assessment was available for review. No evidence of contamination was apparent upon inspection of the property, but the appraiser is not an expert in environmental investigations. If there is a concern, an environmental site assessment should be prepared. The value reported assumes the site to be free from contamination by hazardous substances.

Soil and Subsoil Conditions - No geotechnical investigation was available for review. No detrimental soil conditions are known to exist within the area. If there is a concern, the services of a geotechnical engineer should be engaged.

Water Rights - The subject property includes a ¾-inch water tap, for which credit is typically transferred to a redevelopment project. Based on the current fee schedule, the value of the existing water tap is \$30,500.

Relationship to Adjoining and Nearby Properties

The subject site is situated on the north side of West Horsetooth Road between Shields Street and Taft Hill Road. This stretch of the arterial is a residential corridor. The surrounding uses include older, detached single-family

residential subdivisions including Rossborough, Lindimer, and Kingston Woods to the west, north, and east. Imperial Estates, which features estate-sized lots with older single-family improvements, is situated to the south, across Horsetooth Road. Immediately to the west of the subject property is the Plantation Manor townhome-style condominium development. Overall, the surrounding properties are generally well maintained.

Functional Adequacy

The subject site is of sufficient size to be functionally adequate for many types of development, and the overall dimensions allow for efficient land utilization. The availability of municipal utilities and good access also greatly enhance the site. Overall, the site is functionally adequate to support a variety of potential uses.

APPRAISAL PROCEDURE

Estimation of the market value of the property being appraised is accomplished by analysis, comparison, and employing all appropriate procedures.

Standard Methodology

Three approaches are generally utilized in estimating the value of real property: the cost approach, the sales comparison approach, and the income approach. Then, the approaches are reconciled for a final value conclusion.

Cost Approach - The value indication developed by the cost approach is accomplished by estimating the reproduction or replacement cost new of the improvements, less depreciation from all causes. To this is added the value of the land as though vacant, previously estimated by sales comparison. This approach is based on the principle of substitution, in that no prudent purchaser would pay more for a property than the amount for which he or she can obtain, by purchase of the site and construction of a building without undue delay, a property of equal desirability and utility. The cost approach is particularly applicable when the property being appraised involves relatively new improvements that represent the

highest and best use of the land or when relatively unique or specialized improvements are located on the site.

Sales Comparison Approach - The application of this approach produces an estimate of value of a property by comparing it with similar properties of the same type and class that have been sold recently or are currently offered for sale in the same or competing areas. The comparative processes utilized in determining the degree of comparability between two properties involves judgment as to their similarity with respect to many elements of comparison, such as property rights conveyed, financing terms, conditions of sale, market conditions (time), income characteristics, location, and physical characteristics. The sale prices of those properties deemed most comparable are adjusted to the subject to reflect differences between the sale property and the property being appraised. For property types that are frequently bought and sold, this approach usually produces a reliable indication of value.

Income Approach - This approach is especially significant when appraising income-producing properties. In the income approach, the value estimate relates to the present worth of potential future benefits. This is generally measured by the net operating income that a prudent investor is forecasting the property will produce during its remaining useful life. After comparison with investments of a similar type, this net income is capitalized into a value estimate, utilizing direct capitalization or discounted cash flow techniques.

Reconciliation and Final Estimate of Value - The strengths and weaknesses of each approach are weighted in the final analysis. The approach, or approaches, developed with the most reliable data is typically given the greatest emphasis in concluding the final estimate of value.

Methodology Specific to this Appraisal

The market value of the site will be analyzed first as though unrestricted by the affordable housing ordinance, and then subject to the restriction that requires the site to be developed with affordable dwelling units. Although there is no deed restriction on the site, the property was acquired under the affordable housing land bank program, which restricts the development potential of the site to affordable housing.

Analyzing the site as though it is unrestricted, the existing structures would be razed by a potential purchaser. As a result, the cost approach will not be utilized. Furthermore, there is limited income potential, negating the application

of the income approach. Therefore, the sales comparison approach is the only approach that will be employed in developing the opinion of market value as though unrestricted.

Considering the affordable housing development restriction, the existing structures would inhibit efficient land use, and would be razed upon development. The dearth of recent land sales that are restricted by affordable housing covenants requires the use of alternative land valuation techniques, specifically, the land residual method. This method will analyze the feasibility of developing affordable apartments, and then deduct the cost to develop the improvements to extract a land value estimate.

In addition to the land residual technique, the sales comparison approach will be developed. However, there have been very few sales of similarly-restricted sites within Fort Collins or the surrounding region. Therefore, the search for comparable sales was expanded to all sites purchased by developers of affordable housing units because they represent the pool of prospective purchasers for the subject property, as restricted.

EXPOSURE AND MARKETING TIME

Marketing time relates to a prospective marketing period. It is the future time period necessary to expose the property to the pool of bona fide prospective purchasers, allow for proper negotiation, contract preparation, due diligence, and consummation of a sale at a price supported by current market conditions.

During the course of preparing this report, numerous sellers, brokers, and investors in this type of residential estate land were interviewed. Although some properties have been exposed to the market for an extended period of time, unrealistic pricing or ineffective marketing can explain most of this. Those interviewed generally reported that a sale of this type of property has taken from 6 to 12 months to list, promote, show, negotiate, allow for due diligence, and close if it were priced realistically. Therefore, if the subject property were exposed to the market beginning on the date of this valuation, its marketing time is estimated to be similar to the exposure time, within twelve months.

CERTIFICATION OF VALUE

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are 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 no personal interest with respect to the parties involved.
4. I appraised the existing building on the subject property in 2014.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. 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.
9. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. I have made a personal inspection of the property that is the subject of this report.

- 12. No one provided significant real property appraisal assistance to the person signing this certification.
- 13. As of the date of this report, I have completed the continuing education program of the Appraisal Institute.

I estimate the market value of the fee simple estate in the 1506 W. Horsetooth Road property, as of September 16, 2014, to be as follows:

Fair Market Value (Unrestricted)..... \$1,230,000
Market Value As Restricted..... \$360,000

October 17, 2014
Date



Jon M. Vaughan, MAI, SR/WA
Colorado Certification #CG100000631

ASSUMPTIONS AND LIMITING CONDITIONS

General Assumptions

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated in this report.
3. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in this report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the report.
9. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
11. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage,

or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, was not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde, foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired.

12. The Americans with Disabilities Act (ADA) became effective January 26, 1992. No specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA has been made. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since no direct evidence relating to this issue was revealed, possible non-compliance with the requirements of the ADA in estimating the value of the property was not considered.

General Limiting Conditions

1. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualifications and only in its entirety.
3. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which the appraiser is connected, or any reference to the Appraisal Institute, or to the SRA designation) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.

QUALIFICATIONS OF JON VAUGHAN

Education

B.S. Degree in Business Administration with concentrations in Finance and Real Estate, Colorado State University, 2003.

Appraisal Institute Courses

- Course 120, Appraisal Procedures
- Course 310, Basic Income Capitalization
- Course 410, Standards of Professional Appraisal Practice
- Course 420, Business Practices and Ethics
- Course 510, Advanced Income Capitalization
- Course 520, Highest & Best Use and Market Analysis
- Course 530, Advanced Sales Comparison and Cost Approaches
- Course 540, Report Writing and Valuation Analysis
- Course 550, Advanced Applications
- Course 797, Valuation of Conservation Easements
- Numerous seminars on topics including subdivision analysis, appraisal review, water rights, and energy efficiency.

International Right of Way Association Courses

- General: Principles of Land Acquisition, Ethics and the Right of Way Profession
- Negotiations: Principles of Real Estate Negotiation, Bargaining Negotiations, Practical Negotiations for U.S. Federally Funded Land Acquisition, and Conflict Management
- Appraisal: Easement Valuation, Reviewing Appraisals in Eminent Domain, and Valuation of Environmentally Contaminated Real Estate
- Environmental: Understanding Environmental Contamination in Real Estate
- Property Management: Property Management - Leasing
- Real Estate Law: Principals of Real Estate Law, Legal Aspects of Easements, Eminent Domain Law Basics
- Engineering: Engineering Plan Development and Application, Property Descriptions

American Society of Farm Managers and Rural Appraisers Courses

Appraising Conservation Easements and Case Studies

Colorado Division of Real Estate Conservation Easement Appraiser Update Course

Memberships and Designations

Appraisal Institute: Designated Member (MAI)

2012 to Present Candidate Guidance Committee Co-Chair
2013 to Present Colorado Chapter Board of Directors

International Right of Way Association: Senior Right of Way Professional (SR/WA)
Certified General Real Estate Appraiser: State of Colorado, #CG100000631

Professional Experience

Foster Valuation Company: Fee Appraiser, May 2003 to present

Colorado State University: Adjunct/Instructor - Real Estate Appraisal, Spring Semester, 2014

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**VALUATION
UNRESTRICTED**



HIGHEST AND BEST USE UNRESTRICTED

The concept of highest and best use is fundamental to the analysis and valuation of any real property. As used here for purposes of this appraisal report, it is defined as follows:

"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."³

An opinion of the highest and best use applies specifically to land and is premised upon, among other things, the site being vacant and ready for development. The highest and best use is the use that fully develops the land's potential.

The criteria for determining highest and best use are that the use must be physically possible, legally permissible, financially feasible, and maximally productive; and these criteria must usually be considered sequentially. This analysis must address the type of use that will produce the greatest future benefit to the owner and that will have a strong probability of achievement. There are two steps in the highest and best use analysis. The highest and best use of the site as is first determined as if it is vacant. Then, if the site is improved, the property is analyzed considering the existing improvements. Since there are no building improvements that contribute to the market value of the subject site, it is only necessary to determine the highest and best use as though vacant.

Physically Possible Uses

Site dimensions and relatively level topography allow for efficient land utilization. Access is good via asphalt-paved city streets adjacent to the site. The site is enhanced by its proximity to supporting services, such as shopping, schools, houses of worship, and so forth. All utilities necessary have been extended to the site, and they are adequate. Overall, it appears that, physically, there are several possible uses for the site.

³*The Dictionary of Real Estate Appraisal*, 5th Edition (Chicago: Appraisal Institute, 2010), p. 93.

Legally Permissible Uses

Any use to which the site might be put must be legally permissible. The current LMN zoning allows a variety of residential uses including single-family residences, two-family residences, and multifamily residences. This zoning allows a maximum density of eight dwelling units per acre, which calculates to a total of 66 dwelling units on the subject site. Alternatively, the zoning standards allow up to twelve dwelling units per acre, if the site is developed with affordable housing.

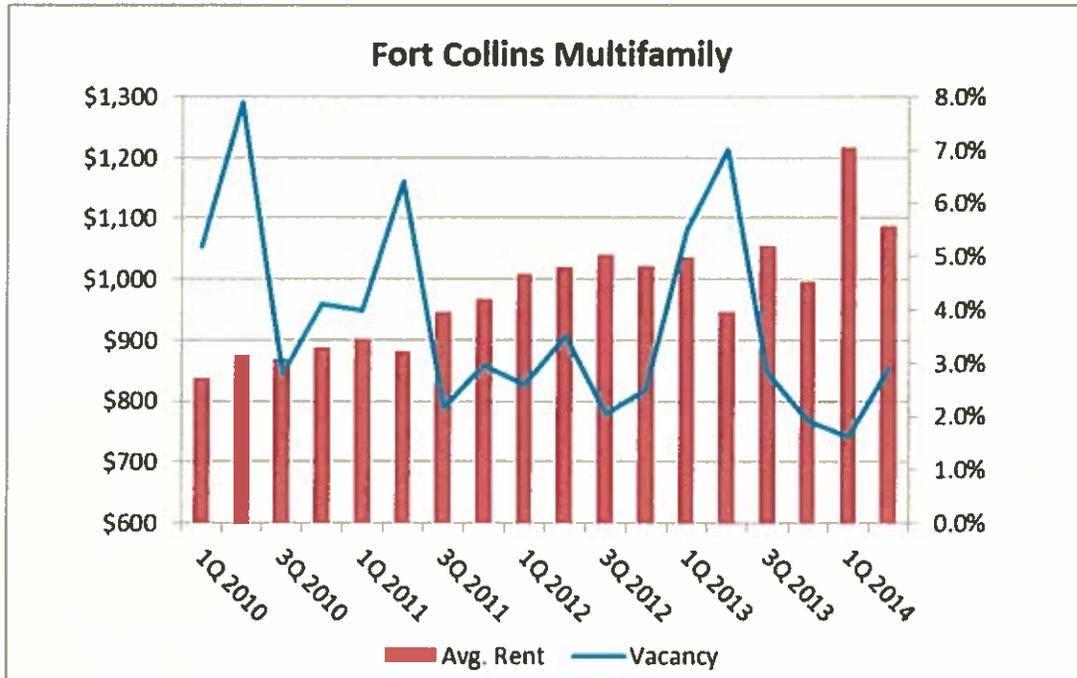
Financially Feasible Uses

When analyzing the financial feasibility of the subject site, the principle of conformity must be considered. It holds that maximum value is realized when a reasonable degree of economic homogeneity is present. This also implies a reasonable degree of homogeneity in building types and sizes. The surrounding uses include older, detached single-family residential subdivisions including Rossborough, Lindimer, and Kingston Woods to the west, north, and east. Imperial Estates, which features estate-sized lots with older single-family improvements, is situated to the south, across Horsetooth Road. Immediately to the west of the subject property is the Plantation Manor townhome-style condominium development. Although this development was planned for 38 townhome units, only 12 were built. The remainder of the site is fully developed, but no additional units have been built.

Single-family and multifamily residential uses are legally permissible and conform reasonably well to the surrounding land uses. With respect to the financial feasibility of single-family residential use, the surrounding neighborhoods feature homes with prices ranging from \$180,000 to \$320,000, with an average price of \$224,274 for homes that have sold in 2014. Currently, the contributory value of the lot for a single-family property is approximately 20 to 25 percent of the total property value. Therefore, if the subject property was developed with single-family homes priced between \$225,000 and \$275,000, the lot value should be in the range from \$45,000 to \$68,750 per lot. At the upper end of the preceding range, development of the subject property would be marginally feasible.

With respect to multifamily development, the Colorado Division of Housing reported that the vacancy rate for multifamily rental units in the City of Fort Collins was 2.9 percent in the second quarter of 2014, and the average rental rate increased to \$1,087 per month from \$947 per month in the second quarter of

2013, which calculates to a year-over-year escalation of 14.8 percent. The following chart illustrates rent and vacancy trends over the past few years.



Persistent low vacancy and strong rent growth has led to construction of several new apartment communities in the City of Fort Collins, which have added more than one thousand units to the market over the past few years. However, these projects are generally focused on a few areas within the City, including the neighborhood around Colorado State University, Downtown, and the Southeast neighborhood. There has been limited interest in developing new residential product in the west midtown neighborhood, where the subject property is located. Nevertheless, with continued population growth that is anticipated over the coming years, multifamily development for tenant occupancy is anticipated to continue, and represents a financially feasible use of the site.

Finally, the development of multifamily residential units for owner occupancy must be considered. Units within the Plantation Manor project, immediately west of the subject property have sold at prices ranging from \$212,000 to \$233,500 in the past few years. However, the original developer lost the development to foreclosure, and though an investor purchased the remaining land, which has been developed for construction of 26 more units, no additional units have been built.

Additionally, there has been significant discussion about the negative impacts of construction defect litigation, which increases the risk and costs of

developing owner-occupied units. Some market participants report that purchasing insurance for potential liability related to owner-occupied units, when available, can add \$15,000 per unit to the cost of a development. Nevertheless, there are eight ongoing developments of owner-occupied attached units in Fort Collins, all but one of which are situated on the east side of the City. The only ongoing project in the western portion of the City is the Harmony Ridge development, which features semi-custom attached units. In 2014, there have been four unit sales at prices ranging from \$318,000 to \$355,000. This project is situated in an area where newer single-family detached homes command prices exceeding \$400,000, which is substantially higher than the typical price of homes surrounding the subject property. Overall, based on the limited construction activity and financial struggles of the adjacent condominium development, owner-occupied multifamily residential use does not appear to be financially feasible for the subject site.

Maximally Productive Use

Tenant-occupied multifamily residential use is determined to be the maximally productive use of the site.

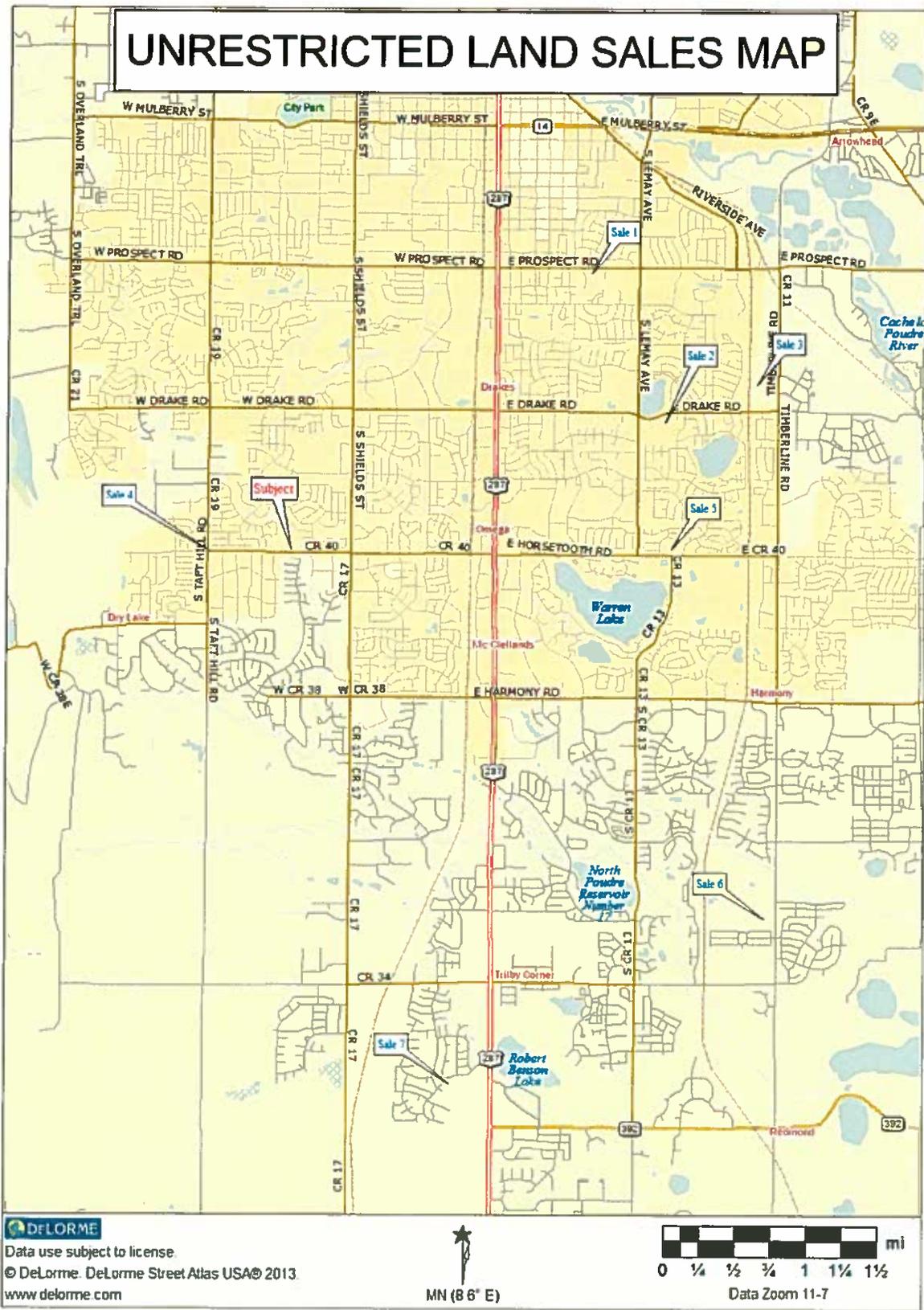
VALUATION - UNRESTRICTED MARKET VALUE

The sales comparison approach utilizing direct comparison will be employed for the valuation of the subject site. The application of this approach yields an estimate of value for the property being appraised by comparing it with similar properties that have recently sold or are currently offered for sale in the same or competing neighborhoods.

Comparable Sales Data

A search was conducted for transactions of vacant infill sites that were zoned for residential development. The sales researched are included in the following tabulation, which is followed by a map showing their location with respect to each other and the subject larger parcel. Detailed sale write-ups follow the map.

LAND SALES DATA SUMMARY					
1506 West Horsetooth Road Property					
September 2014 Foster Valuation Company LLC					
Sale No.	Grantor/Grantee	Sale Date/ Reception No.	Sale Price	Land Area in SF	Sale Price per SF
1	New Prospect LLC/ 805 East Prospect, LLC	07-09-13/ 20130053260	\$800,000	190,981	\$4.19
2	Christ Center Community Church/ Lakeview Fort Collins, LLC	09-20-13/ 20130072400	\$1,400,000	487,884	\$2.87
3	SC Residential, LLC/ Midtown Homes at Spring Creek, LLC	05-08-14/ 20140024312	\$1,650,000	663,419	\$2.49
4	South Taft Hill Investments, Ltd./ Education Capital Solutions, LLC	02-14-14/ 20140007841	\$615,000	218,802	\$2.81
5	Bartran & Company Partners LLLP/ MVG-MS (Ft. Collins), LLC	05-07-14/ 20140024324	\$897,250	190,156	\$4.72
6	Stephen P. and Kelly T. Laffey/ Crowne at Timberline, LP	09-26-13/ 20130074064	\$2,575,000	739,475	\$3.48
7	Loren R. Snyder/ Milan E. Timm Revocable Living Trust	07-26-13/ 20130057877	\$1,050,000	455,388	\$2.31



COMPARABLE NUMBER 1**Larimer County Assessor Aerial**

SALE DATE:	July 9, 2013
GRANTOR:	New Prospect LLC
GRANTEE:	805 East Prospect, LLC
RECORDING DATA:	Reception No. 20130053260, Larimer County, CO
SALE PRICE:	\$800,000
LOCATION:	South side of Prospect Road, just west of Lemay Avenue in the City of Fort Collins, CO
ZONING:	LMN (Low Density Mixed-Use Neighborhood) by Fort Collins
IMPROVEMENTS:	None
TOPOGRAPHY:	Gentle slope downward to the southeast
SHAPE:	Somewhat irregular
LAND AREA:	190,981 square feet
SALE PRICE/UNIT:	\$4.19 per square foot
TERMS:	The Culebra Properties LLC financed \$2,100,000 for the purchase and development of the property.

REMARKS: This property was platted as the 27-lot New Prospect subdivision, which is situated on the north side of Spring Creek. The southeastern portion of the site is within the floodway for Spring Creek. This transaction included 25 of the 27 platted lots. City of Fort Collins stormwater officials required 25 percent of the interior pavement to be pervious, which substantially increased the development costs. The financing included \$52,000 per lot for development costs, in addition to the acquisition cost.

COMPARABLE NUMBER 2

Larimer County Assessor Aerial

SALE DATE:	September 20, 2013
GRANTOR:	Christ Center Community Church
GRANTEE:	Lakeview Fort Collins, LLC
RECORDING DATA:	Reception No. 20130072400, Larimer County, CO
SALE PRICE:	\$1,400,000
LOCATION:	South side of Drake Road, just east of Lemay Avenue in the City of Fort Collins, CO
ZONING:	RL (Low Density Residential) by the City of Fort Collins
IMPROVEMENTS:	None
TOPOGRAPHY:	Relatively level
SHAPE:	Slightly irregular
LAND AREA:	487,884 square feet
SALE PRICE/UNIT:	\$2.87 per square foot
TERMS:	Cash

REMARKS: The purchaser, a subsidiary of Century Communities, Inc., subsequently platted the parcel for development of 42 single-family lots. The site had been under contract since early 2012, when the buyer had proposed to build a 175-unit multifamily development. However, the Fort Collins City Council denied the development plan because they believed the density did not conform to the surrounding single-family neighborhoods. The buyer indicated that the price had been renegotiated to reflect the lower overall density of the new project. The anticipated development costs are in the range from \$50,000 to \$60,000 per lot.

COMPARABLE NUMBER 3

Larimer County Assessor Aerial

SALE DATE:	May 8, 2014
GRANTOR:	SC Residential, LLC
GRANTEE:	Midtown Homes at Spring Creek, LLC
RECORDING DATA:	Reception No. 20140024312, Larimer County, CO
SALE PRICE:	\$1,650,000
LOCATION:	Northwest of Timberline and Drake Roads in Fort Collins, CO
ZONING:	LMN (Low Density Mixed-Use Neighborhood) by Fort Collins
IMPROVEMENTS:	None
TOPOGRAPHY:	Relatively level
SHAPE:	Irregular
LAND AREA:	663,419 square feet
SALE PRICE/UNIT:	\$2.49 per square foot
TERMS:	Home State Bank financed the transaction at market terms

REMARKS: Spring Creek Farms North is home to the Fort Collins police station and the recently completed The Trails at Timberline apartment community. This property is platted for 76 single-family lots, which are relatively narrow, with lot widths of between 48 and 60 feet. Additionally, the surrounding uses include a self storage facility and the railway corridor, which support development of entry level homes. The builders anticipate onsite infrastructure costs of roughly \$30,000 per lot. The project features a density of 4.99 dwelling units per acre.

COMPARABLE NUMBER 4

Larimer County Assessor Aerial

SALE DATE:	February 14, 2014
GRANTOR:	South Taft Hill Investments, Ltd.
GRANTEE:	Education Capital Solutions, LLC
RECORDING DATA:	Reception No. 20140007841, Larimer County, CO
SALE PRICE:	\$615,000
LOCATION:	2130 West Horsetooth Road, Fort Collins, Colorado
ZONING:	LMN (Low Density Mixed-Use Neighborhood) by Fort Collins
IMPROVEMENTS:	None
TOPOGRAPHY:	Gentle slope downward to the northeast
SHAPE:	Slightly irregular
LAND AREA:	218,802 square feet
SALE PRICE/UNIT:	\$2.81 per square foot
TERMS:	Cash

REMARKS: The purchaser built a charter school facility on the site, which is leased to Global Village Academy. The 24,000-square-foot school is designed to serve 500 students from preschool through eighth grade. All typical municipal utilities are adjacent to the site, and the surrounding streets are paved. The listing broker noted that the seller wanted to sell the property quickly, which was accomplished through discounting the listing price by approximately \$0.50 per square foot. The property was under contract within four months of being listed.

COMPARABLE NUMBER 5**Larimer County Assessor Aerial**

SALE DATE:	May 7, 2014
GRANTOR:	Bartran & Company Partners LLLP
GRANTEE:	MVG-MS (Ft. Collins) LLC
RECORDING DATA:	Reception No. 20140024324, Larimer County, CO
SALE PRICE:	\$897,250
LOCATION:	North side of East Horsetooth Road between Lochwood Drive and Lemay Avenue at 3509 East Horsetooth Road, Fort Collins, CO
ZONING:	LMN (Low Density Mixed-Use Neighborhood) by the City of Fort Collins
UTILITIES:	All municipal utilities are available to the site
IMPROVEMENTS:	None
TOPOGRAPHY:	Relatively Level
SHAPE:	Slightly irregular
LAND AREA:	190,156 square feet
SALE PRICE/UNIT:	\$4.72 per square foot
TERMS:	Cash

REMARKS: This infill site has been platted for a 78-unit multifamily senior housing project in the rapidly growing southeast quadrant of the City of Fort Collins. Although the deed and site plan include a land area of 213,662 square feet, this included a 50-foot-wide strip of land dedicated for Horsetooth Road. The relatively low traffic impact of the senior housing project resulted in the approval of a larger building foot print and higher density than would typically be allowed in the Low Density Mixed-Use Neighborhood district. All typical municipal utilities are adjacent to the site, and in adequate capacity to serve the development.

COMPARABLE NUMBER 6**Larimer County Assessor Aerial**

SALE DATE:	September 26, 2013
GRANTOR:	Stephen P. Laffey and Kelly T. Laffey
GRANTEE:	Crowne at Timberline, LP
RECORDING DATA:	Reception No. 20130074064, Larimer County, CO
SALE PRICE:	\$2,575,000
LOCATION:	6111 South Timberline Road, Fort Collins, Colorado
ZONING:	MMN (Medium Mixed Use Development) by the City of Fort Collins
UTILITIES:	All municipal utilities are available to the site
IMPROVEMENTS:	None
TOPOGRAPHY:	Relatively level
SHAPE:	Slightly irregular
LAND AREA:	739,475 square feet
SALE PRICE/UNIT:	\$3.48 per square foot
TERMS:	Cadence Bank financed \$1,287,500 for one year

REMARKS: The purchasers are planning to build 310-units of elevator-served apartments and townhome-style multifamily units. The adjacent 19.8 acres are being marketed for \$2 million by The Group Inc. and Chrisland Inc. The site is served by the Fort Collins-Loveland Water District, which features significantly more expensive water tap fees than the City of Fort Collins. Offsite infrastructure includes acceleration and deceleration lanes on Timberline Road. An agent to the selling party indicated an estimate of \$400,000 to complete the required right of way lanes, walkways, and landscaping. However, no bids had been submitted.

COMPARABLE NUMBER 7**Larimer County Assessor Aerial**

SALE DATE: July 26, 2013
GRANTOR: Loren R. Snyder
GRANTEE: Milan E. Timm Revocable Living Trust
RECORDING INFORMATION: Reception No. 20130057877, Larimer County, CO
SALE PRICE: \$1,050,000

LOCATION: West of South College Ave, at the intersection of Triangle Drive and Avondale Road in Fort Collins, CO

ZONING: MMN and LMN (Medium and Low Density Mixed-Use Neighborhood) by the City of Fort Collins (see remarks)

UTILITIES: All municipal utilities are available to the site

IMPROVEMENTS: None

TOPOGRAPHY: Moderate slope to the southeast

SHAPE: Generally triangular

LAND SIZE: 455,388 square feet

SALE PRICE/UNIT: \$2.31 per square foot

TERMS: Cash

REMARKS: This property features approximately 60 percent MMN zoning and 40 percent LMN zoning, with Final Development Plan approval for 146 market-rate apartments. This calculates to a density of 13.97 dwelling units per acre. The site features topography that will require construction of retaining walls to facilitate development along the east edge of the site. The site had been listed on LoopNet for approximately one year at an asking price of \$1,100,000. The seller purchased the property in 2007 at a price of \$900,000, and subsequently increased the approved density from 76 units to 168 units with an affordable component. The purchaser in this transaction reduced the density to maintain a market rate apartment development with no affordable unit requirements.

Analysis of the Sales

Of the preceding transactions, Sale Nos. 1, 3, 4, 5, and 7 will be compared and adjusted to the subject site based on the following elements of comparison.

Property Rights Conveyed - This adjustment takes into account differences in legal estate between the comparable properties and the subject property. Property rights conveyed were those of the fee simple estate, and no adjustments are required.

Financing Terms - The sales were analyzed for the possibility of beneficial financing. Beneficial financing is considered to be present if the financing terms are advantageous when compared to typical terms offered in the marketplace at the time of sale. All of the sales were conducted on a cash basis. Therefore, no financing adjustments are necessary.

Conditions of Sale - Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. Except for Sale No. 4, all of the comparable transactions were negotiated at arms-length, and no adjustments to Sale Nos. 1, 3, 5, and 7 are needed. With respect to Sale No. 4, the seller wanted to liquidate this property within a short marketing period. Therefore, the listing broker indicated that the property was priced approximately \$0.50 per square foot less than it would have been listed for under typical marketing expectations. Therefore, a positive adjustment is being applied.

Market Conditions (Date of Sale) - The transactions range in date of sale from July of 2013 to July of 2014. Market conditions during this period have been improving as demand for residential product has exhibited continued strength. Sale No. 7 sold in 2007 at a price of \$900,000, and resold in 2013 for \$1,050,000. This suggests an appreciation rate of approximately 2.6 percent, annually. However, construction costs have increased significantly during this period. As a result, while home prices and rental rates have shown large gains, there has been limited movement in undeveloped land values. Overall, the sale and resale data is being tempered to some degree, and the adjustment for strengthening market condition is based on two percent appreciation, annually.

Contributory Value of Improvements - The structures on the subject property would be razed upon development of the site, and do not contribute to value. Similarly, no building improvements that contributed to value were included with the comparable properties; and no adjustments are necessary.

Contributory Value of Water Rights - The existing water tap and raw water included with the subject property are excluded from this analysis to focus adjustments exclusively on the land. Therefore, the value of the water rights included with the comparable properties must be deducted from the sale price in order to isolate the land value. There were no water rights that contributed to value conveyed with the comparable properties. Therefore, no adjustments are warranted.

Location - This adjustment takes into consideration surrounding influences, such as land uses, type and quality of surrounding existing improvements, quality of property maintenance, and the like. The subject site is located on the north side of Horsetooth Road, west of Shields Street in the western portion of the City of Fort Collins. The community has generally been growing to the east, with limited new development in proximity to the subject site.

Sale No 1 is situated on the south side of Prospect Road between College and Lemay Avenues. Spring Creek flows along the southern property boundary, which provides a desirable natural amenity to the site. Overall, this is superior to the subject site, and a negative adjustment is necessary.

Sale No. 3 is located north of Drake Road just west of Timberline Road, in a rapidly developing area in the eastern portion of Fort Collins. However, Union Pacific Railroad extends along the west property boundary, which is inferior to the subject property. Therefore, a positive adjustment is being applied.

Sale No. 4 is situated just west of the subject site, in the northwest corner of Taft Hill and Horsetooth Roads. This is similar enough that no adjustment is warranted.

Sale No. 5 is situated on the north side of Horsetooth Road, just east of Lemay Avenue, in the eastern portion of Fort Collins. This infill site is situated just north of the Collindale Golf Course, and Warren Park. These recreational amenities are superior to the subject property, and a negative adjustment is appropriate.

Sale No. 7 is situated in the southern portion of the City of Fort Collins, just south of Trilby Road, west of College Avenue. Development in the South College Avenue corridor, south of Harmony Road, has been limited for many years. Although the site is surrounded by newer single-family homes in the Ridgewood Hills neighborhood, the area is not highly sought for attached dwellings. Overall, this is inferior to the subject property, and a positive adjustment is being applied.

Access - The subject property is accessed via Horsetooth Road, an asphalt-paved arterial street. All of the comparable properties featured adequate access via paved roads, which is similar to the subject site. Therefore, no adjustments are necessary.

Topography - The subject property features relatively level topography. Similarly, all of the sales except for Sale No. 7 feature relatively level topography, which allows for efficient land use; and no adjustments to Sale Nos. 1, 3, 4, and 5 are necessary. With respect to Sale No. 7, this site features a moderate slope downward to the south, which will require significant earthwork to enable development of the site. This is inferior to the subject property, and a positive adjustment is being applied.

Site Size - All other things being equal, a smaller site typically sells for more on a per-square-foot basis than a larger site. The subject site contains approximately 361,266 square feet, and the selected sales range in size from 190,156 to 663,419 square feet. Sale Nos. 1, 4, 5, and 7 are similar enough in size that no adjustments are warranted. With respect to Sale No. 3, this site is large enough that a positive adjustment is appropriate.

State of Development - This adjustment pertains to the adequacy and availability of infrastructure, as well as planning and engineering that has taken place. Annexation is also a consideration. The subject property is annexed into the City of Fort Collins, but is otherwise undeveloped. All typical municipal utilities are available at the site.

Sale Nos. 1 and 3 were annexed and platted, but otherwise undeveloped. These are superior to the subject property, and negative adjustments are appropriate. Sale Nos. 4 and 5 were annexed, but undeveloped, which is similar enough to the subject property that no adjustments are necessary. With respect to Sale No. 7, this site was platted, but the purchaser will be modifying the land plan. Therefore, this is similar enough to the subject property that no adjustment is appropriate.

Zoning - City of Fort Collins officials have zoned the subject property LMN (Low Density Mixed-use Neighborhood), which allows residential development with a maximum density of eight dwelling units per acre. Except for Sale No. 7, all of the comparable sales feature LMN zoning, and no adjustments are appropriate. With respect to Sale No. 7, this site features a MMN zoning over a portion of the site, which allows greater development density. Therefore, a negative adjustment is appropriate.

<p align="center">Unrestricted Land Sales Comparison Grid 1506 West Horsetooth Property September 2014 Foster Valuation Company LLC</p>							
Element	Subject Fort Collins	Sale 1 805 East Prospect	Sale 3 Midtown	Sale 4 Education Capital	Sale 5 MVG-MS	Sale 7 Timm	
Sales Price		\$800,000	\$1,650,000	\$615,000	\$897,250	\$1,050,000	
Prop. Rts. Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	
Comparison		Similar	Similar	Similar	Similar	Similar	
Adjustment		\$0	\$0	\$0	\$0	\$0	
Adjusted*		\$800,000	\$1,650,000	\$615,000	\$897,250	\$1,050,000	
Financing, Etc.	Market	Market	Market	Market	Market	Market	
Comparison		Similar	Similar	Similar	Similar	Similar	
Adjustment		\$0	\$0	\$0	\$0	\$0	
Conditions of sale	Arms-Length	Arms-Length	Arms-Length	Seller Liquidation	Arms-Length	Arms-Length	
Comparison		Similar	Similar	Inferior	Similar	Similar	
Adjustment		0.0%	0.0%	18.0%	0.0%	0.0%	
Adjusted**		\$800,000	\$1,650,000	\$725,700	\$897,250	\$1,050,000	
Date of sale	Current	Jul-13	May-14	Feb-14	May-14	Jul-13	
Comparison		Similar	Similar	Similar	Similar	Similar	
Adjustment		2.0%	0.0%	0.0%	0.0%	2.0%	
Adjusted***		\$816,000	\$1,650,000	\$725,700	\$897,250	\$1,071,000	
Value of Improvements	\$0	\$0	\$0	\$0	\$0	\$0	
Comparison		Similar	Similar	Similar	Similar	Similar	
Adjustment		\$0	\$0	\$0	\$0	\$0	
Adjusted****		\$816,000	\$1,650,000	\$725,700	\$897,250	\$1,071,000	
Value of Water Rights	\$0	\$0	\$0	\$0	\$0	\$0	
Comparison		Similar	Similar	Similar	Similar	Similar	
Adjustment		\$0	\$0	\$0	\$0	\$0	
Adjusted*****		\$816,000	\$1,650,000	\$725,700	\$897,250	\$1,071,000	
Size in Square Feet	361,266	190,981	663,419	218,802	190,156	455,388	
Unit Price							
per Square Foot		\$4.27	\$2.49	\$3.32	\$4.72	\$2.35	
Location	W. Horsetooth	E. Prospect, Creek	E. Drake, Railroad	W. Horsetooth	E. Horsetooth	S. College	
Comparison		Superior	Inferior	Similar	Superior	Inferior	
Adjustment		(15.0%)	20.0%	0.0%	(10.0%)	10.0%	
Access	Paved	Paved	Paved	Paved	Paved	Paved	
Comparison		Similar	Similar	Similar	Similar	Similar	
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	
Topography	Relatively Level	Relatively Level	Relatively Level	Relatively Level	Relatively Level	Modemately Sloping	
Comparison		Similar	Similar	Similar	Similar	Inferior	
Adjustment		0.0%	0.0%	0.0%	0.0%	20.0%	
Site Size in Sq. Ft.	361,266	190,981	663,419	218,802	190,156	455,388	
Comparison		Similar	Larger	Similar	Similar	Similar	
Adjustment		0.0%	5.0%	0.0%	0.0%	0.0%	
State of Development	Annexed	Platted	Platted	Annexed	Annexed	Reworking Plan	
Comparison		Superior	Superior	Similar	Similar	Similar	
Adjustment		(5.0%)	(5.0%)	0.0%	0.0%	0.0%	
Zoning	LMN	LMN	LMN	LMN	LMN	MMN & LMN	
Comparison		Similar	Similar	Similar	Similar	Superior	
Adjustment		0.0%	0.0%	0.0%	0.0%	(5.0%)	
Functional Utility	Average	Average	Below Average	Average	Average	Below Average	
Comparison		Similar	Inferior	Similar	Similar	Inferior	
Adjustment		0.0%	10.0%	0.0%	0.0%	10.0%	
Net % adjustment to adjusted sale price		(20.0%)	30.0%	0.0%	(10.0%)	35.0%	
Net \$ adjustment to adjusted sale price		(\$0.85)	\$0.75	\$0.00	(\$0.47)	\$0.82	
Adjusted sale price per sq. ft.*****		\$4.27	\$2.49	\$3.32	\$4.72	\$2.35	
Final adjusted sale price per sq. ft.		\$3.42	\$3.23	\$3.32	\$4.25	\$3.17	
<p>*Sale price adjusted for property rights conveyed **Sale price adjusted for financing and conditions of sale ***Sale price further adjusted for market conditions ****Sale price further adjusted for contributory value of improvements *****Sale price further adjusted for contributory value of water rights</p>							

Functional Utility - Shape of a site often restricts its utility. Additionally, easements and other encumbrances can have a detrimental effect on value. The subject property features typical functional utility, as do Sale Nos. 1, 4, and 5.

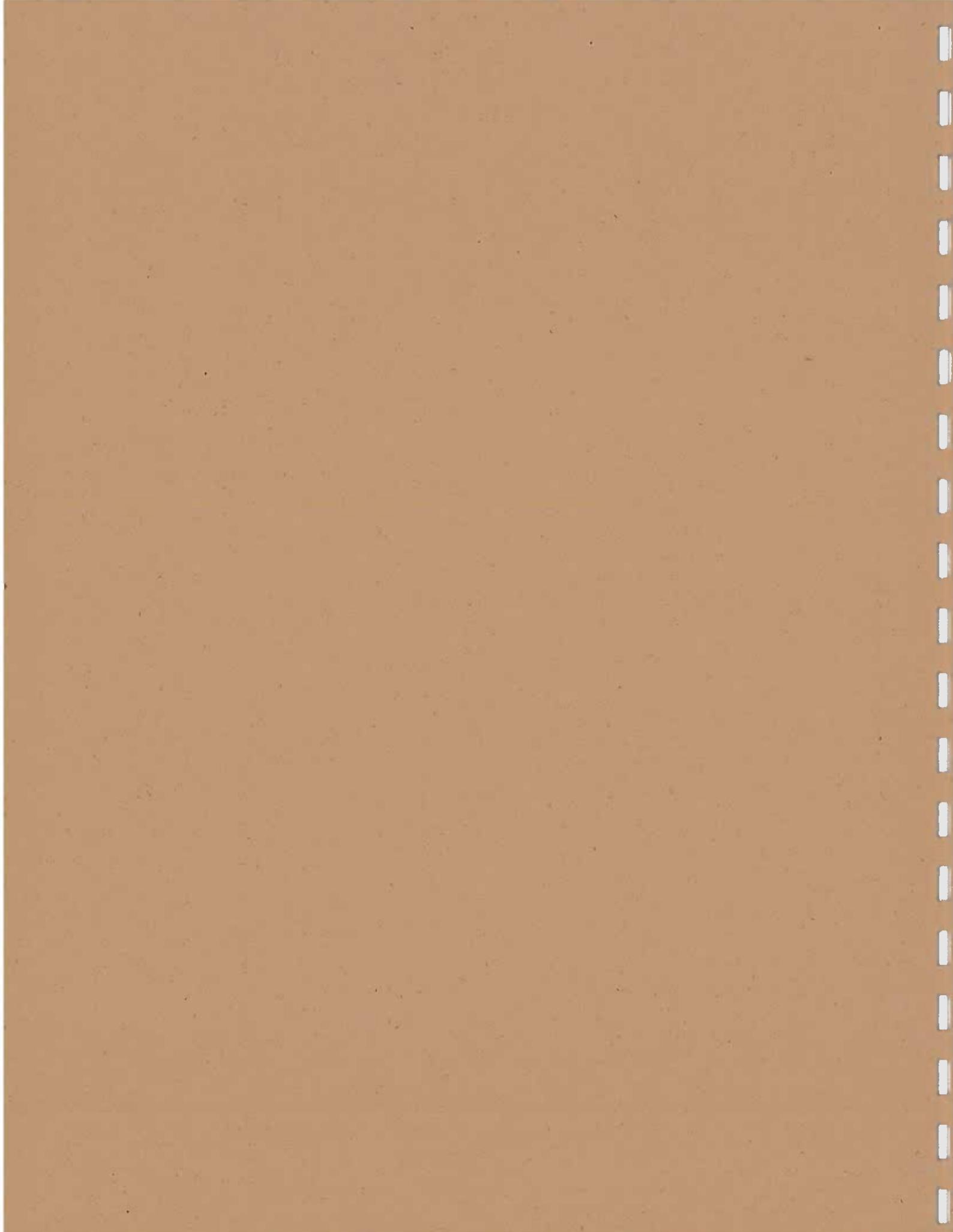
With respect to Sale Nos. 3 and 7, these sites feature below-average utility. Sale No. 3 features a long, narrow shape, while Sale No. 7 has a triangular shape. These functional deficiencies negatively impact the desirability and efficient land utilization of these sites. Therefore, these sites feature inferior utility when compared to the subject property, and warrant positive adjustments.

Summary - After adjustment, the selected sales form an indicated value range from \$3.17 to \$4.25 per square foot, as shown on the Land Sales Comparison Grid on the preceding page. This is a relatively wide range due to Sale No. 5, which is an outlier. Although this site features the same LMN zoning as the subject property, the developer was entitled to a density of 17.87 dwelling units per acre, which is considerably higher than the allowable density under that zoning district. Therefore, its indicated value of \$4.25 per square foot is given minimal consideration. Of the remaining four transactions, Sale Nos. 1 and 4, which indicated values of \$3.42 and \$3.32 per square foot for the subject property, required the least amount of overall adjustment, and are given primary consideration. Sale Nos. 3 and 7, which indicated values of \$3.23 and \$3.17 per square foot, respectively, for the subject property, are given secondary consideration for the same reason. When weighting all of the indications of value based on their reliability, a value of \$3.40 per square foot, which is bracketed by the adjusted values of the comparable sales, appears reasonable. Therefore, the unrestricted market value of the 1506 West Horsetooth Road property is estimated to be as follows:

361,266 square feet @ \$3.40 per square foot = \$1,228,304

Rounded to: \$1,230,000

**VALUATION
RESTRICTED TO
AFFORDABLE HOUSING**



VALUATION BY LAND RESIDUAL TECHNIQUE

The land residual technique backs into the land value by analyzing the value of a property as proposed to be improved and deducting the cost new of the improvements. Although the site is currently vacant, under the affordability constraints, only affordable apartments or owner-occupied residential units are permissible. Therefore, this analysis will be used to test the feasibility of developing affordable dwellings on the subject site. The value of the property upon completion of affordable units that exceeds the cost to construct the improvements and entrepreneurial incentive is attributable to the land.

The property is restricted by a City of Fort Collins ordinance to be used for development of residential units that are affordable to owner-occupants who earn 60 percent or less of the area median income (AMI), or tenants who earn 50 percent or less of the AMI. The zoning allows a density of twelve dwelling units per acre for affordable housing products, which calculates to a maximum of 99 dwelling units (8.294 acres x 12 dwelling units per acre).

The first step is to analyze the value of the improvements based on the rental income or sale prices of the affordable units that could be constructed on the subject site. The following table illustrates the potential project pricing, which is based on the number of occupants in a unit. The table is followed by a description of the assumptions used to develop the rental rates and sales prices.

Affordable Housing Pricing					
Occupants Per Household	Median Income	50% AMI	Affordable Rent	60% AMI	Affordable Sale Price
1	\$51,500	\$25,750	\$644	\$30,900	\$115,729
2	\$58,800	\$29,400	\$735	\$35,280	\$132,134
3	\$66,200	\$33,100	\$828	\$39,720	\$148,763
4	\$73,500	\$36,750	\$919	\$44,100	\$165,167
5	\$79,400	\$39,700	\$993	\$47,640	\$178,425
6	\$85,300	\$42,650	\$1,066	\$51,180	\$191,684
7	\$91,200	\$45,600	\$1,140	\$54,720	\$204,942
8	\$97,100	\$48,550	\$1,214	\$58,260	\$218,200

The affordable rental rate is based on a rental rate of 30 percent of gross income, while the affordable sale price is based on Federal Housing Administration (FHA) standards. These lending standards limit mortgage

payments to 29 percent of gross income and allow a 96.5 percent loan-to-value. The loan is assumed to carry a 30-year term and an interest rate of 4 percent. This analysis also assumes taxes and insurance costs comprise 15 percent of the monthly principle, interest, taxes, and insurance (PITI) payment. The FHA also charges an upfront premium of 1.75 percent of the loan amount and ongoing premium payments of 1.35 percent of the loan balance per year.

Although development of affordable, owner-occupied units is legally permissible for the site, this analysis will focus exclusively on potential development of affordable apartments to develop the value estimate by the land residual technique. The cost of the improvements will be estimated using the Marshall Valuation Service cost manual.

Apartment Valuation (Under the Premise that Rental Units are Proposed)

The value of the affordable apartments that could be constructed on the subject property will be analyzed using the income approach. This method of valuation entails capitalizing the anticipated future benefits from ownership of the subject property, i.e., net operating income, into an indication of value. The gross annual income potential of the subject at full capacity is first projected. This requires estimating the economic or market rent structure of the subject and applying it to the net rentable area. An allowance for vacancy and collection loss is then deducted to arrive at an estimate of the effective gross income that the subject is capable of producing.

The fixed and variable expenditures normally borne in the operation of this type of property are stabilized and deducted from effective gross income to arrive at net operating income. This net income stream is then capitalized into an indication of value by use of a capitalization rate commensurate with the return requirements found to exist in the marketplace. In this report, direct capitalization will be employed utilizing an overall capitalization rate derived from a regional survey.

Potential Gross Income - The income approach begins with an estimate of the potential gross income from the property. Based on the 2014 caps and an assumption of 1.5 residents per bedroom, the maximum rental rates for 1, 2, and 3 bedroom units would be \$711, \$853, and \$985, respectively. The current zoning allows a maximum density of 99 units on the site. For the purposes of this analysis, the unit mix being analyzed includes 20 one-bedroom units, 50 two-bedroom units, and 29 three-bedroom units. As a result, the potential income generated by the development is estimated to be as follows:

Affordable Apartments Projected Gross Rental Income				
Type of Unit	Unit Size in SF.	Monthly Rent/Unit	Number of Units	Annual Rent
1 BD/1 Bath	700	\$711	20	\$170,640
2 BD/1 Bath	900	\$853	50	\$511,800
3 BD/2 Bath	1,050	\$985	29	\$342,780
Total			99	\$1,025,220

Vacancy and Collection Loss - To account for the possible nonpayment of rent, potential gross annual rental income forecast for the subject building should be reduced to recognize normal vacancy and collection loss. It is, therefore, necessary to establish an allowance for this eventual loss of potential income to more accurately project actual income receipts.

According to the Colorado Division of Housing's multifamily vacancy survey for the second quarter of 2014, the multifamily vacancy rate in the City of Fort Collins is 2.9 percent. However, most investors currently factor a five percent vacancy and collection loss into each of the comparable sales analyzed. As a result, a five percent stabilized allowance to account for vacancy and collection loss appears appropriate for the subject property over the long-term.

Operating Expenses - Operating expenses can be subdivided into fixed and variable costs. Fixed expenses are operating expenses that do not vary with occupancy. Variable costs are operating expenses that usually vary with the level of occupancy or the intensity of property operation.

Fixed Expenses - These are operating expenses include real estate taxes, association dues, and fire and casualty insurance.

Taxes - Most of the affordable multifamily properties are held by tax-exempt organizations. As a result, no property taxes are being deducted.

Insurance - The annual cost of insurance for other apartment facilities is currently approximately \$0.30 per square foot. Assuming that the conceptual 99-unit building contains 103,950 square feet, the insurance cost would be \$31,185 per year.

Variable Expenses - These are operating expenses that usually vary with the level of occupancy or the intensity of property operation, such as management, utilities, and maintenance.

Management - Based upon similar projects, independent management can be obtained for approximately 5 to 9 percent of the effective gross income. A management expense of 8 percent, or \$77,917 per year, appears to be appropriate.

Utilities - Utilities borne by the landlord typically include water, sewer, and trash, as well as common area electricity. Based on comparable expense data, \$500 per unit per year is a reasonable estimate for common area utilities and water, or \$49,500 (99 units x \$500 per unit).

Maintenance - Maintenance and repair expenses, along with associated supplies, cover the mechanical systems and building structure. Because the building improvements are new, maintenance and repair expense will be relatively low. Nevertheless, a maintenance expense of \$0.75 per square foot appears to be appropriate.

Reserves - This allowance provides for the periodic replacement of major building components that wear out more rapidly than the building itself. This is considered to be a sinking fund to replace items such as the HVAC units when the building is vacated at the end of the lease. The annual allowance is the anticipated cost of replacement prorated over the anticipated economic life of the component. The subject units would represent new construction, which should reduce the reserve allowance needed, to some degree. Therefore, a reserve allowance of \$250 per unit, or \$24,750 is being used.

Summary - Pro Forma Income Statement - Based on the preceding information, the following pro forma income statement can be developed.

Pro Forma Income Statement				
Potential Gross Annual Income	Monthly	Annual	Units	
Rent: 1 Bedroom	\$711	\$8,532	20	\$170,640
Rent: 2 Bedroom	\$853	\$10,236	50	\$511,800
Rent: 3 Bedroom	\$985	\$11,820	29	\$342,780
Total Potential Gross Income	103,950	GBA	99	\$1,025,220
Less Allowance for Vacancy and Collection Loss	5%		\$51,261	
Effective Gross Annual Income				\$973,959 100%
Less Operating Expenses				
Tax	\$0.00 per SF		\$0	
Insurance	\$0.30 per SF		\$31,185	
Management	8% of EGI		\$77,917	
Utilities	\$500 per Unit		\$49,500	
Maintenance	\$0.75 per SF		\$77,963	
Reserves	\$250 per Unit		\$24,750	
Total Operating Expenses				\$261,315 27%
Net Operating Income				\$712,645 73%

Direct Capitalization

Direct capitalization is a method used to convert a single year's estimate of income into a value indication by the income approach. It is essential that the market comparables reflect risk, income, expenses, and physical and location characteristics similar to those of the property being appraised.

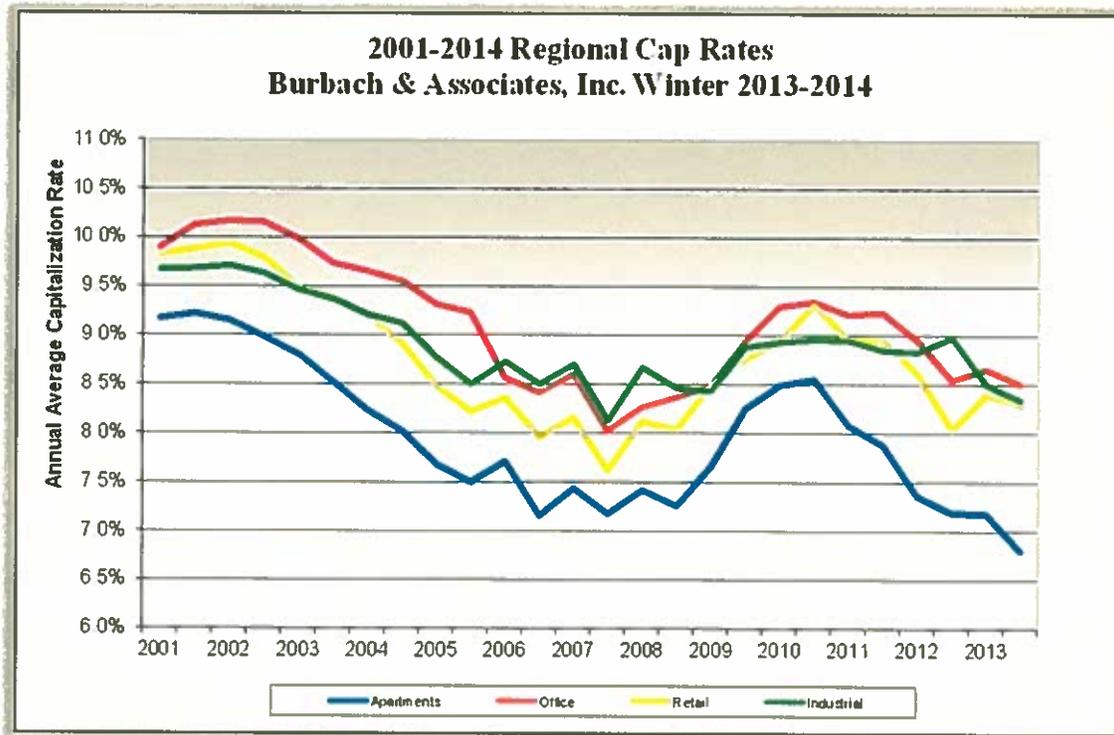
In direct capitalization, a precise allocation between return on and return of capital is not made because investor assumptions or forecasts concerning the holding period, pattern of income, or changes in value of the original investment are not simulated in the method. However, a satisfactory rate of return for the investor and the return of the capital invested is implicit in the rate used in direct capitalization because it is derived from similar investment properties.

Burbach and Associates Real Estate Appraisers and Consultants conducts a regional study periodically. The most recent study was conducted in the winter of 2013-2014 and is summarized in the following table. Twenty-five firms were surveyed in the Rocky Mountain Region, primarily covering the States of

Colorado, Wyoming, Arizona, New Mexico, and Texas. Those surveyed included commercial real estate brokerage firms, mortgage bankers, and other financial institutions. For purposes of this appraisal, the out-of-state firms were omitted with the exception of Wyoming. As seen in the table below, overall capitalization rates for apartment investments ranged from 5.00 to 9.50 percent and averaged 6.80 percent.

REAL ESTATE INVESTMENT SURVEY					
Winter 2013-2014					
Criteria	INDUSTRIAL	RETAIL	OFFICE		APT.
	Warehouse	Community/ Neighborhood	Low Rise	High Rise	
Stabilized Cap Rate (%)					
Range	7.00-12.00	7.00-10.00	7.00-10.00	5.50-12.00	5.00-9.50
Average	8.34	8.28	8.50	7.91	6.80

Source: *Burbach and Associates, Inc. Real Estate Appraisers and Consultants*



Summary - The perceived risk associated with the development of affordable apartments should be above the average capitalization rate of 6.80 percent revealed by the survey. Nevertheless, the demand is strong at this price point, and the project features new construction. Therefore, the appropriate

capitalization rate should be below the 9.5 percent capitalization rate that sets the top of the range in the survey. As a result, an overall capitalization rate of 7.5 percent is believed to be appropriate.

<u>Net Operating Income</u>	=	Value
<u>Overall Capitalization Rate</u>		
<u>\$712,645</u>	=	\$9,501,933
0.0750		
Rounded to.....		\$9,500,000

Construction Costs

The conceptual affordable apartment units used for this analysis are estimated to be average quality, Class D, wood-framed structures with masonry veneer on the exterior. The construction costs illustrated in the following table are based on the Marshall Valuation Service Cost manual.

Comparative Cost Method					
Type of Space	Quality	Cost per Unit	Quantity	Unit	Cost
Apartments	Avg. Class D	\$72.54	102,168	SF	\$7,411,573
Fire Sprinklers	Average	\$2.02	102,168	SF	\$206,379
Patios	Avg., Open Slab	\$6.87	4,950	SF	\$34,007
Appliance Package		\$1,750	99	Unit	\$173,250
Subtotal					\$7,825,209
Current Multiplier	1.00				\$7,825,209
Local Multiplier	1.00				\$7,825,209
Site Improvements					
Landscaping	Average	\$6.06	36,127	SF	\$218,927
Asphalt Parking Lot	Good	\$1,740	168	Spaces	\$292,755
Site Lighting	Good	\$1,435	16	SF	\$22,960
Total Site Improvements					\$534,642
Current Multiplier	1.04				\$556,028
Total Cost New					\$8,381,237
Cost New per Square Foot					\$82.03

Entrepreneurial Profit - The difference between the cost of development and the value of a property after completion is the entrepreneurial profit or loss. Whether a profit is realized depends on how successful the developers have been

in selecting a site, constructing the improvements, and analyzing market rents and demand. Although most developers of affordable multifamily are non-profit organizations, such as the local housing authority, these organizations have overhead costs for ongoing operations that must be covered by each development. With respect to build-to-suit projects, these are often undertaken on a cost plus ten percent basis. Therefore, an entrepreneur profit of 10 percent appears reasonable.

Summary - Construction Cost Estimate - Adding an appropriate entrepreneurial incentive to the previously estimated construction costs results in a total construction cost as follows:

Cost Summary		
Direct & Indirect Costs		\$8,381,237
Entrepreneurial Profit	10%	\$838,124
Total Replacement Cost New Estimate		\$9,219,361
Rounded to		\$9,220,000
Average Cost Per Square Foot		\$90.24
Average Cost Per Unit		\$93,131

Land Value Estimate

Based on the preceding analyses, if the value of the affordable multifamily project is \$9,500,000 upon completion, and the construction cost calculates to \$9,220,000, the extracted value of the restricted land would be \$280,000, or \$0.78 per square foot.

**SALES COMPARISON APPROACH
SUBJECT TO AFFORDABLE HOUSING RESTRICTION**

Neglecting the preceding insights, an extensive search was conducted to reveal sales of sites that were purchased for development of affordable housing. Although the search initially focused on sites that were restricted exclusively to development of affordable housing, only one transaction was discovered. Therefore, the search was broadened to comparable sites upon which affordable

housing is planned or has been developed because these builders represent the pool of prospective buyers for the subject property.

Comparable Sales Data

A search was conducted for transactions of vacant sites that were purchased for the development of affordable residential dwelling units. The sales researched are included in the following tabulation, which is followed by a map showing their location with respect to each other and the subject larger parcel. Detailed sale write-ups follow the map.

AFFORDABLE HOUSING LAND SALES DATA SUMMARY					
1506 West Horsetooth Road Property					
September 2014 Foster Valuation Company LLC					
Sale No.	Grantor/Grantee	Sale Date/ Reception No.	Sale Price	Land Area in SF	Sale Price per SF
1	SA Group Properties, Inc./ Fort Collins Housing Authority	12-20-11/ 20110080256	\$230,000	418,380	\$0.55
2	Larry & Nancy Glass and Bruce & Rowena Keenan/ Accessible Space, Inc.	07-20-07/ 20070056788	\$500,000	85,218	\$5.87
3	Prestito, LLC/ Redtail Ponds Permanent Supportive Housing, LLLP	08-30-13/ 20130067751	\$862,000	128,044	\$6.73
4	KB Home Colorado Inc./ Community Affordable Residences Enterprise, Inc.	11-28-06/ 2006089901	\$275,000	563,525	\$0.49
5	Windsor Farm Investments, LLC/ Windsor Housing Authority	01-31-13/ 3907795	\$440,000	278,134	\$1.58
6	SDC-Loveland, LLC/ Pedcor Investments, LLC	06-26-14/ 20140034456	\$1,900,000	766,961	\$2.48

COMPARABLE NUMBER 1**Larimer County Assessor Aerial**

SALE DATE:	December 20, 2011
GRANTOR:	SA Group Properties, Inc.
GRANTEE:	Fort Collins Housing Authority
RECORDING DATA:	Reception No. 20110080256, Larimer County, CO
SALE PRICE:	\$230,000
LOCATION:	West side of Redwood Street, just south of Willox Lane in the northern portion of Fort Collins, CO
ZONING:	LMN (Low Density Mixed-use Neighborhood) by the City of Fort Collins
UTILITIES:	All municipal utilities are available to the site
IMPROVEMENTS:	None
TOPOGRAPHY:	Relatively level
SHAPE:	Slightly irregular
LAND AREA:	418,380 square feet
SALE PRICE/UNIT:	\$0.55 per square foot
TERMS:	Funding Partners for Housing Solutions, Inc. financed \$255,000 at 6.75 percent for three years

REMARKS: This property was lender-owned on the date of sale. This site is situated between two single-family residential subdivisions that were developed in the 1990s. The western portion of the site has a pond, which occupies roughly one-third of the property.

COMPARABLE NUMBER 2

Larimer County Assessor Aerial

SALE DATE:	July 20, 2007
GRANTOR:	Larry & Nancy Glass and Bruce & Rowena Keenan
GRANTEE:	Accessible Space, Inc.
RECORDING DATA:	Reception No. 20070056788, Larimer County, CO
SALE PRICE:	\$500,000
LOCATION:	301 East Harmony Road, Fort Collins, CO
ZONING:	HC (Harmony Corridor) by the City of Fort Collins
UTILITIES:	All municipal utilities are available to the site
IMPROVEMENTS:	None
TOPOGRAPHY:	Slight slope downward to the south
SHAPE:	Mostly rectangular
LAND AREA:	85,218 square feet
SALE PRICE/UNIT:	\$5.87 per square foot
TERMS:	Cash

REMARKS: This site is situated on the south side of Harmony Road, across from the Harmony Marketplace grocery-anchored retail center. The purchaser subsequently built 23 apartment units that are wheelchair accessible and affordable to residents earning 50 percent of the area median income. Mail Creek extends along the southern edge of the site, which required the improvements to be constructed on the north edge of the parcel to protect the ecologically sensitive riparian area.

COMPARABLE NUMBER 3**Larimer County Assessor Aerial**

SALE DATE:	August 30, 2013
GRANTOR:	Prestito, LLC
GRANTEE:	Redtail Ponds Permanent Supportive Housing, LLLP
RECORDING DATA:	Reception No. 20130067751, Larimer County, CO
SALE PRICE:	\$862,000
LOCATION:	West side of South College Avenue, just south of Harmony Road
ZONING:	CG (General Commercial) by the City of Fort Collins
UTILITIES:	All municipal utilities are available to the site
IMPROVEMENTS:	None
TOPOGRAPHY:	Slight slope downward to the southeast
SHAPE:	Slightly irregular
LAND AREA:	128,044 square feet
SALE PRICE/UNIT:	\$6.73 per square foot
TERMS:	Cash and Low Income Housing Tax Credits

REMARKS: This site was purchased for construction of a 60-unit affordable apartment building. The purchaser is a partnership formed by the Fort Collins Housing Authority. Forty of the units will be available to formerly homeless residents in need of supportive housing services to assist them in transitioning to independence. The remaining 20 units will be affordable to individuals earning 50 percent of the area median income. However, the site was not restricted to affordable housing on the date of sale. The purchaser indicated that a premium was paid for the site's proximity to the MAX transit corridor, as well as other amenities within walking distance to the project.

COMPARABLE NUMBER 4**Larimer County Assessor Aerial**

SALE DATE:	November 28, 2006
GRANTOR:	KB Home Colorado Inc.
GRANTEE:	Community Affordable Residences Enterprise, Inc.
RECORDING DATA:	Reception No. 20060089901, Larimer County, CO
SALE PRICE:	\$275,000
LOCATION:	6900 block of Autumn Ridge Drive in the City of Fort Collins, CO
ZONING:	LMN (Low Density Mixed-Use Neighborhood) by Fort Collins
IMPROVEMENTS:	None
TOPOGRAPHY:	Gentle slope downward to the north
SHAPE:	Somewhat irregular
LAND AREA:	563,525 square feet
SALE PRICE/UNIT:	\$0.49 per square foot
TERMS:	Cash

REMARKS: This property was subsequently developed with 85 affordable apartment units in 11 buildings with a clubhouse and community garden. There is adequate land to accommodate a subsequent phase of an additional 75 units. As part of the original development agreement, KB Homes had agreed to build at least 20 percent of the units in the Provincetowne development as affordable housing. Since very few affordable units were built in the remainder of the development, this site was completely restricted to affordable units.

COMPARABLE NUMBER 5**Weld County Assessor Aerial**

SALE DATE:	January 31, 2013
GRANTOR:	Windsor Farm Investments, LLC
GRANTEE:	Windsor Housing Authority
RECORDING INFORMATION:	Reception No. 3907795, Weld County, CO
SALE PRICE:	\$440,000
LOCATION:	Southwest quadrant of Windshire Drive and North 15 th Street in Windsor, Colorado
ZONING:	RMU (Residential Mixed-Use) by the Town of Windsor
UTILITIES:	All municipal utilities are available to the site
IMPROVEMENTS:	None
TOPOGRAPHY:	Relatively level
SHAPE:	Irregular
LAND AREA:	278,134 square feet
SALE PRICE/UNIT:	\$1.58 per square foot
TERMS:	The Loveland Housing Authority financed the acquisition and Wells Fargo financed construction of the improvements

REMARKS: This site is located adjacent to the clubhouse and pool facility in the Windshire development, in the northern portion of the Town of Windsor. The Loveland Housing Authority provided financial support and project management to assist the Windsor Housing Authority. This parcel was subsequently improved with 44 affordable apartment units in six buildings on the northern portion of the site, referred to as the Windsor Meadows Apartments. The southern portion, which includes 2.399 acres, is entitled for an additional 36 units, but they would be obligated to pay Windsor Farm Investments, LLC for the added density.

COMPARABLE NUMBER 6

SALE DATE:	June 26, 2014
GRANTOR:	SDC-Loveland, LLC
GRANTEE:	Pedcor Investments, LLC
RECORDING DATA:	Reception No. 20140034456, Larimer County, CO
SALE PRICE:	\$1,900,000
LOCATION:	Southwest quadrant of North Garfield Avenue and West 65 th Street in Loveland, Colorado
ZONING:	PUD (Planned Unit Development) by the City of Loveland
UTILITIES:	All municipal utilities are available to the site
IMPROVEMENTS:	None
TOPOGRAPHY:	Gentle slope down to the southeast
SHAPE:	Irregular rectangle
LAND AREA:	766,961 square feet
SALE PRICE/UNIT:	\$2.48 per square foot
TERMS:	Suntrust Bank financed \$7,000,000 for the construction project

REMARKS: This multifamily site is situated west of U.S. Highway 287 in the northern portion of Loveland, behind the Walmart Supercenter. Officials from the Indiana-based development firm, Pedcor Investments, LLC, plan to build 224 affordable apartments, referred to as Ashley Estates. Construction is scheduled to commence in the fall of 2014. The property had been listed for several years, most recently at a price of \$2,262,920. There were no additional offsite costs necessary to develop the site.

Analysis of the Sales

The preceding transactions will be compared and adjusted to the subject site based on the following elements of comparison.

Property Rights Conveyed - This adjustment takes into account differences in legal estate between the comparable properties and the subject property. An extensive search was conducted to locate sales of sites that were restricted to development of affordable housing. However, only Sale No. 4 was restricted in a manner similar to the subject property. The unrestricted fee simple estate was conveyed in all of the remaining transactions. Sale No. 4 exhibits a substantial discount when compared to the remaining transactions, which was partly due to the restriction. However, all of the developments that have occurred on the comparable sites would have conformed to the restrictions encumbering the Sale No. 4 property. Overall, the site restriction on the subject property substantially limits the pool of potential buyers of the site, which places substantial negotiating power on the purchasers. In conclusion, no adjustment will be applied to specifically quantify this dynamic, but Sale No. 4, which was subject to the restriction, will be given greatest consideration upon final analysis.

Financing Terms - The sales were analyzed for the possibility of beneficial financing. Beneficial financing is considered to be present if the financing terms are advantageous when compared to typical terms offered in the marketplace at the time of sale. All of the sales were conducted on a cash basis. Therefore, no financing adjustments are necessary.

Conditions of Sale - Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. Except for Sale Nos. 1 and 4, all of the comparable transactions were negotiated at arms-length, and no adjustments to Sale Nos. 2, 3, 5, and 6 are needed. Sale No. 1 was lender-owned at the date of sale, and the purchaser indicated that he had received a discount, but did not specify an amount. With respect to Sale No. 4, the seller was exiting the Fort Collins market, and decided to liquidate this property. Since this property was restricted to development of affordable housing, the purchaser had substantial bargaining power. Therefore, positive adjustments are being applied.

Market Conditions (Date of Sale) - Due to the scarcity of sales to affordable housing developers, the transactions range in date of sale from November of 2006 to June of 2014. Market conditions during this period have been improving as demand for residential product has exhibited continued strength. Sale No. 7 in the analysis as though unrestricted sold in 2007 at a price of \$900,000, and resold in 2013 for \$1,050,000. This suggests an appreciation rate

of approximately 2.6 percent, annually. However, construction costs have increased significantly during this period. As a result, while home prices and rental rates have shown large gains, there has been limited movement in undeveloped land values. Overall, the sale and resale data is being tempered to some degree, and the adjustment for strengthening market condition is based on two percent appreciation, annually.

Contributory Value of Improvements - The structures on the subject property would be razed upon development of the site, and do not contribute to value. Similarly, no building improvements that contributed to value were included with the comparable properties; and no adjustments are necessary.

Contributory Value of Water Rights - The existing water tap and raw water included with the subject property are excluded from this analysis to focus adjustments exclusively on the land. Therefore, the value of the water rights included with the comparable properties must be deducted from the sale price in order to isolate the land value. There were no water rights that contributed to value conveyed with the comparable properties. Therefore, no adjustments are warranted.

Location - This adjustment takes into consideration surrounding influences, such as land uses, type and quality of surrounding existing improvements, quality of property maintenance, and the like. The subject site is located on the north side of Horsetooth Road, west of Shields Street in the western portion of the City of Fort Collins. The community has generally been growing to the east, with limited new development in proximity to the subject site.

Sale No 1 is situated on the west side of Redwood Street, in the northern portion of the City. Although this location provides reasonably good access to mass transit, this neighborhood is generally less desirable than the subject neighborhood, and a positive adjustment is appropriate.

Sale Nos. 2 and 3 feature frontage on Harmony Road and College Avenue, respectively, which made them appealing to a wide variety of potential users. The transactions exhibit substantial premiums when compared to the remaining transactions, and the buyers noted that significant premiums were paid for the sites based on their locational amenities. Additionally, Sale No. 2 backs to a small pond along Mail Creek. Therefore, negative adjustments are being applied, in varying degrees.

Sale No. 4 is situated just south of Trilby Road, in the Provincetowne development. Although the overall appeal of this area is similar to the subject

neighborhood, Sale No. 4 features inferior proximity to bus routes. The nearest bus stop is at the intersection of College Avenue and Trilby Road, which is a one-mile walk from this parcel. Therefore, this site features inferior proximity to transit routes, which further narrows the prospective buyer pool, and requires a positive adjustment.

Sale No. 5 is situated in the northwestern portion of the Town of Windsor. This is a smaller community without a significant transit network, which reduces the number of potential buyers. However, many residents place a premium on the small town atmosphere. Overall, the positive and negative attributes tend to offset, and no adjustment is being made.

Sale No. 6 is situated in the northern portion of the City of Loveland, behind a Walmart Supercenter, just west of U.S. Highway 287. Typically sites behind large-box retail stores carry a discount. However, for affordable housing, the convenience of access to groceries without the need for a vehicle is beneficial. The site also offers reasonable proximity to mass transit services. As a result, the positive and negative location influences tend to offset, and no adjustment is being applied.

Access - The subject property is accessed via Horsetooth Road, an asphalt-paved arterial street. All of the comparable properties featured adequate access via paved roads, which is similar to the subject site. Therefore, no adjustments are necessary.

Topography - The subject property features relatively level topography. Similarly, all of the sales feature relatively level to gently sloping topography, which allows for efficient land use. Therefore, no adjustments are necessary.

Site Size - All other things being equal, a smaller site typically sells for more on a per-square-foot basis than a larger site. The subject site contains approximately 361,266 square feet, and the selected sales range in size from 85,218 to 766,961 square feet. Sale Nos. 1, 4, and 5 are similar enough in size that no adjustments are warranted. With respect to Sale Nos. 2 and 3, these sites are significantly smaller than the subject property, and negative adjustments are appropriate. Sale No. 6 is large enough that a positive adjustment is being applied.

State of Development - This adjustment pertains to the adequacy and availability of infrastructure, as well as planning and engineering that has taken place. Annexation is also a consideration. The subject property is annexed into the City of Fort Collins, but is otherwise undeveloped. All typical municipal utilities are available at the site.

Sale Nos. 2, 4, 5, and 6 were annexed and platted, but otherwise undeveloped. These are superior to the subject property, and negative adjustments are appropriate. Sale No. 1 was annexed, but undeveloped, which is similar enough to the subject property that no adjustment is necessary. With respect to Sale No. 3, this site was platted for development of an office park, but the purchaser replatted the site for their affordable housing development. Therefore, this is similar enough to the subject property that no adjustment is appropriate.

Zoning - City of Fort Collins officials have zoned the subject property LMN (Low Density Mixed-use Neighborhood), which allows residential development with a maximum density of twelve dwelling units per acre if affordable units are developed. Sale Nos. 1 and 4 feature LMN zoning, while Sale No. 5 featured RMU zoning in the Town of Windsor. These are similar enough that no adjustments are appropriate. With respect to Sale Nos. 2, 3, and 6, these sites feature zoning classifications that allow a broad range of commercial uses. Therefore, these are superior, and negative adjustments are being applied.

Functional Utility - Shape of a site often restricts its utility. Additionally, easements and other encumbrances can have a detrimental effect on value. The subject property features typical functional utility, as do Sale Nos. 2, 3, 4, 5, and 6.

With respect to Sale No. 1 this site features below-average utility due to a wetlands area in the western portion of the site, which limits the developable area of the site. Therefore, a positive adjustment is appropriate.

Land Sales Comparison Grid
1506 West Horsetooth Property - Subject to Affordable Restriction
September 2014 Foster Valuation Company LLC

Element	Subject Fort Collins	Sale 1 Ft. Collins Housing	Sale 2 Accessible Space	Sale 3 Retail Ponds	Sale 4 Care Housing	Sale 5 Windsor Housing	Sale 6 Pedcor
Sales Price		\$230,000	\$500,000	\$862,000	\$275,000	\$440,000	\$1,900,000
Prop Rts. Conveyed	Restricted	Fee Simple	Fee Simple	Fee Simple	Restricted	Fee Simple	Fee Simple
Comparison		Similar	Similar	Similar	Similar	Similar	Similar
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Adjusted*		\$230,000	\$500,000	\$862,000	\$275,000	\$440,000	\$1,900,000
Financing, Etc	Market	Market	Market	Market	Market	Market	Market
Comparison		Similar	Similar	Similar	Similar	Similar	Similar
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Conditions of sale	Arms-Length	Lender-owned	Arms-Length	Arms-Length	Seller Liquidation	Arms-Length	Arms-Length
Comparison		Inferior	Similar	Similar	Inferior	Similar	Similar
Adjustment		20.0%	0.0%	0.0%	20.0%	0.0%	0.0%
Adjusted**		\$276,000	\$500,000	\$862,000	\$330,000	\$440,000	\$1,900,000
Date of sale	Current	Dec-11	Jul-07	Aug-13	Nov-06	Jan-13	Jun-14
Comparison		Dated	Dated	Dated	Dated	Dated	Similar
Adjustment		5.5%	12.5%	2.0%	15.5%	3.5%	0.0%
Adjusted***		\$291,180	\$562,500	\$879,240	\$381,150	\$455,400	\$1,900,000
Value of Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Comparison		Similar	Similar	Similar	Similar	Superior	Similar
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Adjusted****		\$291,180	\$562,500	\$879,240	\$381,150	\$455,400	\$1,900,000
Value of Water Rights	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Comparison		Similar	Similar	Similar	Similar	Superior	Similar
Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Adjusted*****		\$291,180	\$562,500	\$879,240	\$381,150	\$455,400	\$1,900,000
Size in Square Feet	361,266	418,380	85,218	128,044	563,525	278,134	766,961
Unit Price							
per Square Foot		\$0.70	\$6.60	\$6.87	\$0.68	\$1.64	\$2.48
Location	West Ft. Collins	North Ft. Collins	Harmony Ft. Collins	College Ft. Collins	South Ft. Collins	West Windsor	North Loveland
Comparison		Inferior	Superior	Superior	Inferior	Similar	Similar
Adjustment		10.0%	(50.0%)	(40.0%)	10.0%	0.0%	0.0%
Access	Paved	Paved	Paved	Paved	Paved	Paved	Paved
Comparison		Similar	Similar	Similar	Similar	Similar	Similar
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Topography	Relatively Level	Relatively Level	Relatively Level	Slight Slope	Relatively Level	Relatively Level	Gently Sloping
Comparison		Similar	Similar	Similar	Similar	Similar	Similar
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Site Size in Sq. Ft.	361,266	418,380	85,218	128,044	563,525	278,134	766,961
Comparison		Similar	Smaller	Smaller	Similar	Similar	Larger
Adjustment		0.0%	(10.0%)	(10.0%)	0.0%	0.0%	5.0%
State of Development	Annexed	Annexed	Platted	Needed Replatted	Platted	Platted	Platted
Comparison		Similar	Superior	Similar	Superior	Superior	Superior
Adjustment		0.0%	(5.0%)	0.0%	(5.0%)	(5.0%)	(5.0%)
Zoning	LMN, Ft. Collins	LMN, Ft. Collins	HC, Ft. Collins	CG, Ft. Collins	LMN, Ft. Collins	RMU, Windsor	PUD, Loveland
Comparison		Similar	Superior	Superior	Similar	Similar	Superior
Adjustment		0.0%	(10.0%)	(10.0%)	0.0%	0.0%	(10.0%)
Functional Utility	Average	Below Average	Average	Average	Average	Average	Average
Comparison		Inferior	Similar	Similar	Similar	Similar	Similar
Adjustment		10.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net % adjustment to adjusted sale price		20.0%	(75.0%)	(60.0%)	5.0%	(5.0%)	(10.0%)
Net \$ adjustment to adjusted sale price		\$0.14	(\$4.95)	(\$4.12)	\$0.03	(\$0.08)	(\$0.25)
Adjusted sale price per sq. ft.*****		\$0.70	\$6.60	\$6.87	\$0.68	\$1.64	\$2.48
Final adjusted sale price per sq. ft.		\$0.84	\$1.65	\$2.75	\$0.71	\$1.56	\$2.23

*Sale price adjusted for property rights conveyed
 **Sale price adjusted for financing and conditions of sale
 ***Sale price further adjusted for market conditions
 ****Sale price further adjusted for contributory value of improvements
 *****Sale price further adjusted for contributory value of water rights

Summary - After adjustment, the selected sales form an indicated value range from \$0.71 to \$2.75 per square foot, as shown on the Land Sales Comparison Grid on the preceding page. Considering the scarcity of data that is restricted to development of affordable housing, it is extraordinarily challenging to pinpoint a specific value for the subject property. There are a limited number of prospective buyers, and these buyers are dependent on government subsidies, grants, or low income housing tax credits to facilitate development. As a result, flexibility with respect to marketing periods and contract terms will be far more important to the sale of the subject site than price. If the purchaser can hold the site for a period of eighteen months to three years with minimal upfront investment, they may be able to purchase the site at the upper end of the preceding range in indicated values. However, if a purchaser must pay cash for the site prior to receiving final approval for subsidized financing, the value of the site would most likely need to be at the low end of the range in indicated values.

In the interest of narrowing the range of indicated values to a final value estimate, Sale No. 4 is the only transaction that was legally restricted to development of affordable units. Its indicated value of \$0.71 per square foot is also the lowest indicated value of any of the comparable transactions. This transaction offers the best indication of a reasonable sale price for the subject property, as restricted to development of affordable units, and is given primary consideration. Conversely, the seller was exiting the Northern Colorado market, and this transaction exhibits a liquidation discount that is very difficult to quantify. Sale Nos. 5 and 6 required the least amount of overall adjustment, and Sale No. 6 represents the most recent transaction. Therefore, their indicated values of \$1.56 and \$2.23 per square foot, respectively, are given secondary consideration. In conclusion, when weighting all of the indications of value based on their reliability, a value of \$1.00 per square foot, which is bracketed by the adjusted values of the comparable sales, appears reasonable. Therefore, the market value of the 1506 West Horsetooth Road property as restricted to development of affordable housing is estimated to be as follows:

361,266 square feet @ \$1.00 per square foot = \$361,266

Rounded to: \$360,000

RECONCILIATION AND FINAL VALUE ESTIMATE

The last step in the appraisal process is to conclude a final estimate of value for the subject property. This is accomplished after analyzing the quantity, quality, and reliability of the data utilized, strengths and weaknesses of the different methods of valuation, and applicability of each approach to the type of property being appraised. The final estimate of value approximates that which an informed, rational investor would pay for the subject property if it were available for sale on the open market at the date of appraisal, given the data used in this report.

A review of the value indications derived from the two approaches employed is as follows:

Land Residual Technique	\$280,000
Sales Comparison Approach	\$360,000

With respect to the land residual technique, this is typically applied as a feasibility analysis, rather than an approach to value. The number of broad assumptions required to develop the analysis weaken the reliability of the value indication considerably. The land value conclusion of \$280,000 calculates to 2.9 percent of the estimated value of the affordable apartment property, upon completion, which is an exceptionally slim margin of error.

One of the most significant assumptions is the cost estimate for a conceptual apartment building. The Windsor Housing Authority recently completed the first phase of the Windsor Meadows project, an affordable townhome development that consists of 44 two- and three-bedroom units. The project manager reported that their construction costs were slightly more than \$121 per square foot, which is significantly higher than the final cost estimate used in this analysis of \$90.24 per square foot. If the actual costs from the Windsor Meadows project are applied to the conceptual improvements envisioned for the subject property, the development cost would exceed the \$9,500,000 value for the proposed apartment facility by more than \$2,000,000, which would indicate a negative value for the land.

With respect to the value indicated by the sales comparison approach, only one of the comparables selected for analysis was restricted to development of affordable housing, which limits the reliability of the value indication by this approach. The remaining sales were selected because these sites were purchased with the intent of developing affordable housing on the sites. Overall, the sales

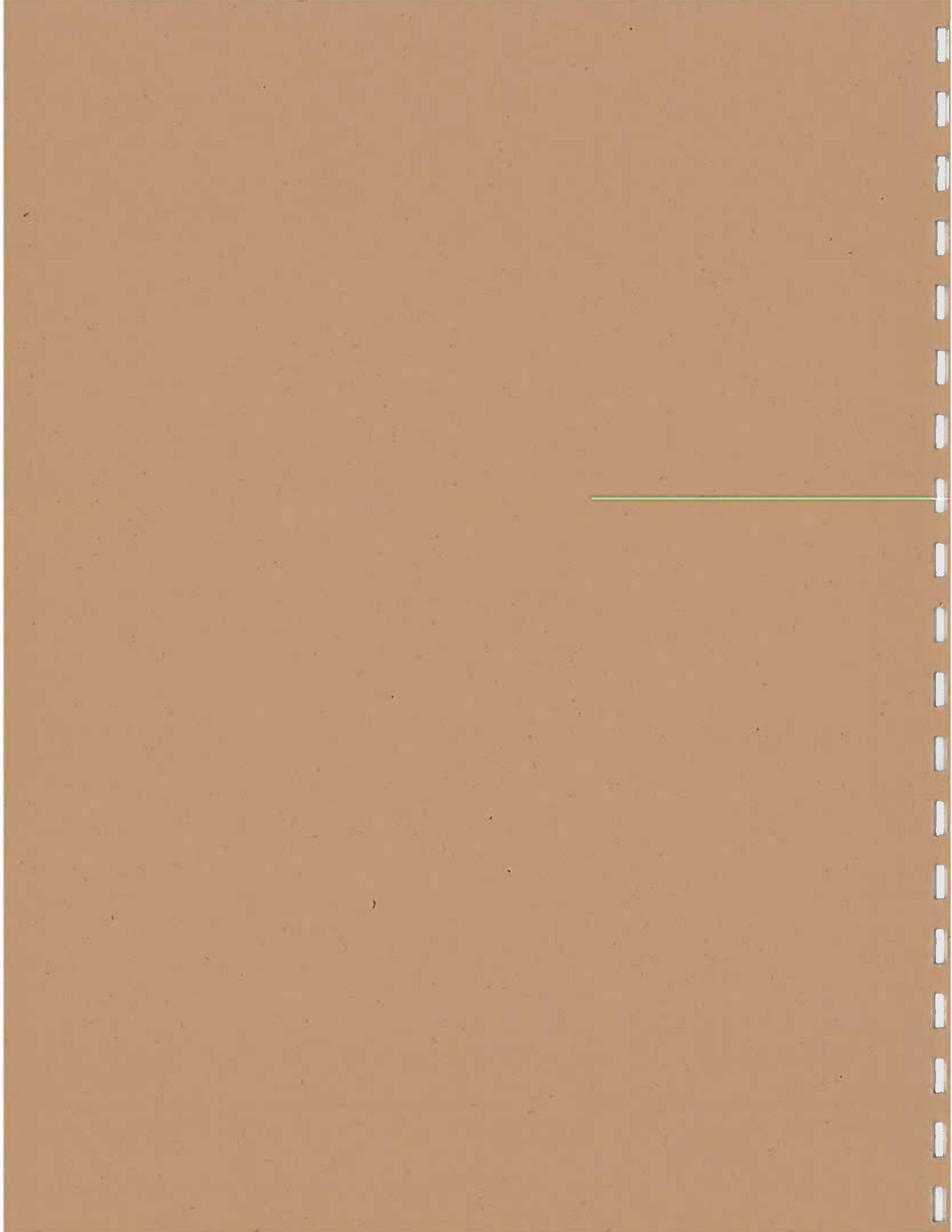
comparison approach represents the most direct method to estimate the market value of the subject property, as restricted. However, when the pool of prospective buyers is narrowed to the degree that affordable housing restriction limits the target market for the subject property, the purchaser holds a high degree of bargaining power in the negotiations.

The sales comparison approach stands out as providing the most reliable indication of value. In conclusion, the market value of the subject property at 1506 West Horsetooth Road, as of September 16, 2014, is estimated to be as follows:

THREE HUNDRED SIXTY THOUSAND DOLLARS

(\$360,000)

ADDENDUM



LOW DENSITY MIXED-USE NEIGHBORHOOD DISTRICT (L-M-N)

Purpose

The Low Density Mixed-Use Neighborhood District is intended to be a setting for a predominance of low density housing combined with complementary and supporting land uses that serve a neighborhood and are developed and operated in harmony with the residential characteristics of a neighborhood. The main purpose of the District is to meet a wide range of needs of everyday living in neighborhoods that include a variety of housing choices, that invite walking to gathering places, services and conveniences, and that are fully integrated into the larger community by the pattern of streets, blocks, and other linkages. A neighborhood center provides a focal point, and attractive walking and biking paths invite residents to enjoy the center as well as the small neighborhood parks. Any new development in this District shall be arranged to form part of an individual neighborhood.

Typically, Low Density Neighborhoods will be clustered around and integral with a Medium Density Mixed-Use Neighborhood with a Neighborhood Commercial Center at its core. For the purposes of this Division, a neighborhood shall be considered to consist of approximately eighty (80) to one hundred sixty (160) acres, with its edges typically consisting of major streets, drainageways, irrigation ditches, railroad tracks and other major physical features.

Permitted Uses

The following uses are permitted in the L-M-N District, subject to basic development review, provided that such uses are located on lots that are part of an approved site-specific development plan:

(A) Accessory/Miscellaneous Uses:

1. Accessory buildings.
2. Accessory uses.

(B) Any use authorized pursuant to a site specific development plan that was processed and approved either in compliance with the Zoning Code in effect on March 27, 1997, or in compliance with this Land Use Code (other than a final subdivision plat, or minor subdivision plat, approved pursuant

to Section 29-643 or 29-644 of prior law, for any nonresidential development or any multi-family dwelling containing more than four [4] dwelling units), provided that such use shall be subject to all of the use and density requirements and conditions of said site specific development plan.

- (C) Any use which is not hereafter listed as a permitted use in this zone district but which was permitted for a specific parcel of property pursuant to the zone district regulations in effect for such parcel on March 27, 1997; and which physically existed upon such parcel on March 27, 1997; provided, however, that such existing use shall constitute a permitted use only on such parcel of property.

Institutional/Civic/Public Uses:

- (A) Neighborhood parks as defined by the Parks and Recreation Policy Plan.

(2) The following uses are permitted in the L-M-N District, subject to administrative review:

(a) Residential Uses:

1. Single-family detached dwellings.
2. Two-family dwellings.
3. Single-family attached dwellings.
4. Multi-family dwellings (limited to eight [8] or less units per building).
5. Group homes for up to eight (8) developmentally disabled or elderly persons.
6. Mixed-use dwelling units.

(b) Institutional/Civic/Public Uses:

1. Places of worship or assembly with a building footprint which does not exceed a total of twenty-five thousand (25,000) square feet.
2. Public and private schools for college, university, vocational and technical education, provided they are located within five hundred (500) feet of East Vine Drive or railroad property adjacent and parallel to East Vine Drive.

3. Public facilities.

4. Parks, recreation and other open lands, except neighborhood parks as defined by the Parks and Recreation Policy Plan.

5. Cemeteries.

6. Community facilities.

7. Neighborhood support/recreational facilities.

(c) Commercial/Retail Uses:

1. Bed and breakfast establishments with six (6) or fewer beds.

2. Child care centers.

3. Neighborhood centers consisting of at least two (2) of the following uses: mixed-use dwelling units; retail stores with less than five thousand (5,000) square feet of building footprint area; convenience retail stores; personal and business service shops; small animal veterinary facilities; offices, financial services and clinics containing less than five thousand (5,000) square feet of building footprint area; community facilities; neighborhood support/recreation facilities; schools; child care centers; and places of worship or assembly.

(3) The following uses are permitted in the L-M-N District, subject to Planning and Zoning Board review:

(a) Residential Uses:

1. Mobile home parks.

2. Group homes, other than allowed in subparagraph (2)(a)5 above.

3. Boarding and rooming houses.

(b) Institutional/Civic/Public Uses:

1. Public and private schools for elementary, intermediate and high school education.

2. Golf courses.

3. Long-term care facilities.

4. Places of worship or assembly with a building footprint which exceeds a total of twenty-five thousand (25,000) square feet.

(c) Commercial/Retail Uses:

1. Neighborhood centers consisting of one (1) or more of the following uses: standard and fast food restaurants (without drive-in or drive-through facilities); artisan and photography studios and galleries; or convenience retail stores with fuel sales that are at least three-quarters ($\frac{3}{4}$) mile from any other such use and from any gasoline station; provided that such use or uses are combined with at least one (1) other use listed in Section 4.4(B)(2)(c)3 above.

2. Enclosed mini-storage facilities, provided they are located on property adjoining the railroad property adjacent and parallel to East Vine Drive, and are located within five hundred (500) feet of such railroad property.

3. Limited indoor recreation establishments, provided they are located within five hundred (500) feet of East Vine Drive or of the railroad property adjacent and parallel to East Vine Drive.

4. Offices, financial services and clinics which are not part of a neighborhood center.

(d) Industrial Uses (provided they are located within five hundred [500] feet of East Vine Drive):

1. Workshops and custom small industry.

2. Light industrial (production, assembly, packaging).

(e) Accessory/Miscellaneous Uses:

1. Wireless telecommunication equipment.

(C) Prohibited Uses. All uses that are not (1) expressly allowed as permitted uses in this Section or (2) determined to be permitted by the Director pursuant to Section 1.3.4 of this Land Use Code shall be prohibited.

(D) Land Use Standards.

(1) Density.

(a) Residential developments in the Low Density Mixed-Use Neighborhood District shall have an overall minimum average density of five (5) dwelling units per net acre of residential land, except that residential developments (whether overall development plans or project development plans) containing twenty (20) acres or less and located in the area defined as "infill area" need not comply with the requirement of this subparagraph (a).

(b) The maximum density of any development plan taken as a whole shall be eight (8) dwelling units per gross acre of residential land, except that affordable housing projects (whether approved pursuant to overall development plans or project development plans) containing ten (10) acres or less may attain a maximum density, taken as a whole, of twelve (12) dwellings units per gross acre of residential land.

(c) The maximum density of any phase in a multiple-phase development plan shall be twelve (12) dwelling units per gross acre of residential land, and the maximum density of any portion of a phase containing a grouping of two (2) or more multi-family structures shall be twelve (12) dwelling units per gross acre of residential land.

(2) Mix of Housing. A mix of permitted housing types shall be included in any individual development plan, to the extent reasonably feasible, depending on the size of the parcel. In order to promote such variety, the following minimum standards shall be met:

(a) A minimum of two (2) housing types shall be required on any project development plan containing thirty (30) acres or more, including such plans that are part of a phased overall development; and a minimum of three (3) housing types shall be required on any such project development plan containing forty-five (45) acres or more.

(b) Lot sizes and dimensions shall be varied for different housing types to avoid monotonous streetscapes. For example, larger housing types on larger lots are encouraged on corners. Smaller lots are encouraged adjacent to common open spaces.

(c) The following list of housing types shall be used to satisfy this requirement:

1. Standard lot single-family detached dwellings (lots containing six thousand [6,000] square feet or more).

2. Small lot single-family detached dwellings (lots containing less than six thousand [6,000] square feet).

3. Two-family dwellings.

4. Single-family attached dwellings.

5. Mixed-use dwelling units.

6. Multi-family dwellings (limited to eight [8] dwelling units per building);

7. Mobile home parks.

(d) A single housing type shall not constitute more than ninety (90) percent of the total number of dwelling units. If single-family detached dwellings are the only housing types included in the mix, then the difference between the average lot size for each type of single-family detached dwelling shall be at least two thousand (2,000) square feet.

(3) Neighborhood Centers.

(a) Access to Neighborhood Center. At least ninety (90) percent of the dwellings in all development projects greater than forty (40) acres shall be located within three thousand nine hundred sixty (3,960) feet (three-quarter $\frac{3}{4}$ mile) of either a neighborhood center contained within the project, or an existing neighborhood center located in an adjacent development, or an existing or planned Neighborhood Commercial District commercial project, which distance shall be measured along street frontage, and without crossing an arterial street. Neighborhood centers shall meet the requirements contained in subparagraphs (b) through (e) below.

(b) Location. A neighborhood center shall be planned as an integral part of surrounding residential development and located where the network of local streets provides direct access to the center.

Neighborhood centers that are located on arterial streets and that include retail uses or restaurants shall be spaced at least three thousand nine hundred sixty (3,960) feet (three-quarters $\frac{3}{4}$ mile) apart.

(c) Land Use Requirements. A neighborhood center shall include two (2) or more of the following uses: mixed-use dwelling units; community facilities;

neighborhood support/recreation facilities; schools; child care centers; places of worship or assembly; convenience retail stores; offices, financial services and clinics; personal or business service shops; standard or fast food restaurants (without drive-in or drive-through facilities); small animal veterinary clinics; and artisan or photography studios or galleries. No drive-in facilities shall be permitted. A neighborhood center shall be a maximum of five (5) acres in size, excluding such portion of the neighborhood center which is composed of a school, park, place of worship and assembly and/or outdoor space as defined in subparagraph (e) of this Section.

(d) Design and Access. The design of neighborhood centers shall be integrated with surrounding residential areas by matching the scale of nearby residential buildings; providing direct access from surrounding residential areas; creating usable outdoor spaces; orienting building entrances to connecting walkways; and, to the extent reasonably feasible, maintaining/continuing the architectural themes or character of nearby neighborhoods.

(e) Outdoor Spaces. A publicly accessible outdoor space such as a park, plaza, pavilion or courtyard shall be included within or adjacent to every neighborhood center to provide a focal point for such activities as outdoor gatherings, neighborhood events, picnicking, sitting and passive and active recreation.

(4) Other Nonresidential Development. Permitted nonresidential uses that are not part of a neighborhood center shall not be approved in any development project until the requirements for a neighborhood center in subsection (3) above have been met. This limitation shall not apply to uses permitted along East Vine Drive under subsection (5) below.

(5) Blocks of Nonresidential Uses Along East Vine Drive. In order to establish a buffer and transition from rail switching and industrial uses to the south, certain uses are permitted along East Vine Drive, subject to the criteria below. Any development project that proposes uses which are only permitted in the Zone District along East Vine Drive shall comply with the following criteria:

(a) Any such development shall consist of multiple buildings cohesively planned and designed.

(b) Any such development project must occupy at least one (1) entire block face, with East Vine Drive forming one (1) side of the development project.

(c) A single tier of buildings facing only one (1) side of an internal street shall be permitted to a maximum depth of three hundred (300) feet.

(d) A double tier(s) of buildings facing both sides of an internal street, with the land use boundary change occurring along a mid-block line, shall be permitted to a depth of five hundred (500) feet.

(e) To the extent reasonably feasible, loading docks, service bays and garage doors shall not face East Vine Drive. The intent is for such facilities to face side yards or other internal site areas and not public streets. If it is not reasonably feasible to accommodate the function of the intended use without such facilities facing East Vine Drive, then such facilities shall be completely incorporated into the architectural design of the building according to the provisions of this Land Use Code.

(f) Any enclosed mini-storage facility shall include a caretaker's dwelling facing a local or collector street, and any storage unit building frontage along the street shall consist only of rear walls of storage unit buildings and landscaping. Fencing along streets shall be wrought iron, or its visual equivalent, and any fencing along streets that exceeds four (4) feet in height shall be placed in segments between buildings, and not as a continuous perimeter fence.

(6) Facing Uses. To the extent reasonably feasible, land use boundaries in neighborhoods shall occur at mid-block locations rather than at streets, so that similar buildings face each other.

(7) Small Neighborhood Parks. Either a neighborhood park or a privately owned park, that is at least one (1) acre in size, shall be located within a maximum of one-third (1/3) mile of at least ninety (90) percent of the dwellings in any development project of ten (10) acres or larger as measured along street frontage. Such parks shall meet the following criteria:

(a) Location. Such parks shall be highly visible, secure settings formed by the street layout and pattern of lots and easily observed from streets. Rear facades and rear yards of dwellings shall not abut more than two (2) sides or more than fifty (50) percent of the perimeter frontage of the park.

(b) Accessibility. All parts of such parks shall be safely and easily accessible by pedestrians and open to the public.

(c) **Facilities.** Such parks shall consist of multiple-use turf areas, walking paths, plazas, pavilions, picnic tables, benches or other features for various age groups to enjoy.

(d) **Ownership and Maintenance.** Such parks may, in the discretion of the city, be acquired by the city (through dedication or purchase), or be privately owned and maintained by the developer or property owners association.

(e) **Storm Drainage.** When integrating storm drainage and detention functions to satisfy this requirement, the design of such facilities shall not result in slopes or gradients that conflict with other recreational and civic purposes of the park.

(E) Development Standards.

(1) Streets and Blocks.

(a) **Street System Block Size.** The local street system provided by the development shall provide an interconnected network of streets in a manner that results in blocks of developed land bounded by connecting streets no greater than twelve (12) acres in size.

(b) **Mid-Block Pedestrian Connections.** If any block face is over seven hundred (700) feet long, then walkways connecting to other streets shall be provided at approximately mid-block or at intervals of at least every six hundred fifty (650) feet, whichever is less.

(2) Nonresidential and Mixed-Use Buildings.

(a) All nonresidential buildings permitted under this Section, including industrial buildings, shall meet the standards for Mixed-Use and Commercial Buildings in Section 3.5.3.

(b) **Maximum Size.** No building footprint shall exceed a total of twenty thousand (20,000) square feet, with the exception of schools and places of worship and assembly.

(c) **Height.** In order to encourage roof forms, dormers, windows, balconies and similar features associated with occupied space, to the extent reasonably feasible, buildings or parts of buildings shall be at least one and one-half (1.5) stories in height (with functional and occupied space under the roof). The maximum height shall be two and one-half (2.5) stories.

(d) **Roof Form.** Buildings shall have either: 1) sloped roofs; 2) combined flat and sloped roofs, provided that the sloped portion(s) forms a substantial part of the building and is related to the integral structure, entries and activity areas; or 3) flat roofs with building massing stepped or terraced back to form usable roof terrace area(s). The minimum pitch of any sloped roof shall be 6:12. Buildings containing more than four thousand (4,000) square feet of gross floor area shall have at least three (3) roof planes that are directly related to building facade articulations.

(e) **Building Massing.** No building permitted by this Section shall have a single undifferentiated mass with a footprint over ten thousand (10,000) square feet. No building footprint shall exceed a total of twenty thousand (20,000) square feet.

1. For any building with a footprint in excess of ten thousand (10,000) square feet, walls that are greater than seventy-five (75) feet in length shall incorporate recesses or projections created by wall plane returns of at least thirty (30) feet; any such building shall be differentiated into multiple sections of mass in order to achieve proportions that are compatible in scale with adjacent residential neighborhoods.

2. Minimum front yard setback of all buildings shall be fifteen (15) feet in order to provide a landscaped front yard consistent with the residential character of the L-M-N zone district.

(f) **Orientation.** Building entrances shall face and open directly onto the adjoining local street with parking and any service functions located in side or rear yards and incorporated into the development according to the provisions of this Land Use Code.

(g) **Outdoor Storage.** Outdoor storage shall be prohibited.

(h) **Hours of Operation** The decision maker may limit hours of operation, hours when trucking and deliveries may occur, and other characteristics of the nonresidential uses in order to enhance the compatibility with residential uses.

(i) **Drive-in Uses.** Drive-in uses shall be prohibited.

(3) **Maximum Residential Building Height.** The maximum height of residential buildings shall be two and one-half (2.5) stories.

(4) **Design Standards for Multi-Family Dwellings Containing More Than Six (6) Dwelling Units.** Each multi-family dwelling containing more than six (6) dwelling units shall feature a variety of massing proportions, wall plane proportions, roof

proportions and other characteristics similar in scale to those of single-family detached dwelling units, so that such larger buildings can be aesthetically integrated into the low density neighborhood. The following specific standards shall also apply to such multi-family dwellings:

(a) Roofs. Each multi-family building shall feature a combination of primary and secondary roofs. Primary roofs shall be articulated by at least one (1) of the following elements:

1. changes in plane and elevation.
2. dormers, gables or clerestories.
3. transitions to secondary roofs over entrances, garages, porches, bay windows.

(b) Facades and Walls. Each multi-family dwelling shall be articulated with projections, recesses, covered doorways, balconies, covered box or bay windows and/or other similar features, dividing large facades and walls into human-scaled proportions similar to the adjacent single-family dwellings, and shall not have repetitive, monotonous, undifferentiated wall planes.

Each multi-family building shall feature walls that are articulated by at least two (2) of any of the following elements within every thirty-six-foot length of the facade:

1. Recesses, projections or significant offsets in the wall plane.
2. Distinct individualized entrances with functional porches or patios.
3. Chimneys made of masonry, or other contrasting material that projects from the wall plan.
4. Balconies.
5. Covered bay or box windows.

(c) Variation Among Repeated Buildings. For any development containing at least forty (40) and not more than fifty-six (56) dwelling units, there shall be at least two (2) distinctly different building designs. For any such development containing more than fifty-six (56) dwelling units, there shall be at least three (3) distinctly different building designs. For all developments, there

shall be no more than two (2) similar buildings placed next to each other along a street or major walkway spine.

Distinctly different building designs shall provide significant variation in footprint size and shape, architectural elevations and entrance features, within a coordinated overall theme of roof forms, massing proportions and other characteristics. To meet this standard such variation shall not consist solely of different combinations of the same building features.

(d) Color. Each multi-family building shall feature a palette of muted colors, earth tone colors, natural colors found in surrounding landscape or colors consistent with the adjacent neighborhood. For a multiple structure development containing at least forty (40) and not more than fifty-six (56) dwelling units, there shall be at least two (2) distinct color schemes used on structures throughout the development. For any such development containing more than fifty-six (56) dwelling units, there shall be at least three (3) distinct color schemes used on structures throughout the development. For all developments, there shall be no more than two (2) similarly colored structures placed next to each other along a street or major walkway spine.

(e) Garages. No street-facing facade shall contain more than three (3) garage bays.