

APPRAISAL OF
135 DP ROAD
LOS ALAMOS, NM 87544

DATE OF THE REPORT
NOVEMBER 15, 2018

EFFECTIVE DATE OF VALUATION
NOVEMBER 12, 2018

PREPARED FOR
COUNTY OF LOS ALAMOS
1000 CENTRAL AVENUE, SUITE 150
LOS ALAMOS, NM 87544

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November 15, 2018

Ms. Joanie Ahlers
Economic Development
Los Alamos County
1000 Central Avenue, Suite 150
Los Alamos, NM 87544

RE:	Appraisal of 135 DP Road, Los Alamos, NM 87544 Purchase Order #: 78462
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Dear Ms. Ahlers;

Pursuant to your request, I have appraised the above referenced property. The depth of discussion and supporting documentation contained in this report are specific to the needs of the client. The appraisal report is prepared in accordance with the Uniform Standards of Professional Appraisal Practice 2018-2019 and is subject to the general assumptions and limiting conditions found in the report.

Based on my investigation and analysis, and the data and analyses contained in this report, it is my opinion the most probable market value of the fee simple ownership interest subject to the easements and restrictions of record in the subject 'as is' as of November 12, 2018 is:

FINAL VALUE

Subject: 135 DP Road		
Market Value – As Is	Fee Simple	Eight Hundred Seventy Five Thousand Dollars \$875,000

I respectfully refer you to the following appraisal report containing 32 pages plus addenda. If I can be of further service to you in regard to this appraisal or in any other matter, please do not hesitate to call.

Respectfully submitted,


Tim Connelly, MAI

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SUMMARY OF SALIENT FACTS, DATA AND CONCLUSIONS

Summary			
Property Location	135 DP Road, Los Alamos, NM 87544		
Client	County of Los Alamos		
Owner of Record	County of Los Alamos, New Mexico		
Current Use	Vacant Land		
Highest and Best Use	Multi-family development allowed under County planning and zoning regulations		
Effective Date of Value	November 12, 2018		
Date of Report	November 15, 2018		
Purpose of the Appraisal	Estimate Market Value		
Intended Use of the Appraisal	Asset valuation		
Intended User of the Appraisal	County of Los Alamos		
Land Area	Tract	Size/Acre	Size/Square Feet
	Tract A-8B	3.2 acres \pm	139,971 sf \pm
Zoning	MU		

**MARKET VALUE INDICATIONS – AS IS – AS OF NOVEMBER 12, 2018**

Methodology	Value
Sales Comparison Approach	\$875,000
Final Value Conclusion	\$875,000

CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
- 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.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*
- I have made a personal inspection of the property that is the subject of this report.
- The use of this appraisal report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Tim Connelly has completed the continuing education program for Designated Members of the Appraisal Institute
- As of the date of this report, Tim Connelly has completed the requirements for the continuing education program of the State of New Mexico Real Estate Appraisers Board for General Certification.
- Tim Connelly has the education, knowledge, experience, resources and geographic competency to complete an appraisal of this type in this location.

Certified by,



Tim Connelly, MAI
N.M. General Certificate #03225G

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been prepared with the following specific assumptions:

1. It is assumed that the supporting documentation provided for the appraisal is correct.
2. I have relied on information prepared by licensed professionals in making certain decisions in the process of this appraisal. I have accepted this information as accurate, based on the fact that they represent matters beyond my expertise as an appraiser along with the fact that they were prepared by recognized professionals.

This report has been made with the following general assumptions:

3. 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.
4. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
5. Responsible ownership and competent property management are assumed.
6. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
7. 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.
8. 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 engineering studies that may be required to discover them.
9. 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 the report.
10. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconforming use has been stated, defined, and considered in the report. Please refer to the discussion of zoning found within the report.
11. It is assumed that all required licenses, permits, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
12. 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 noted in the report.
13. 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, were not called to my attention nor did I become aware of such during the inspection. I have no knowledge of the existence of such materials on or in the property unless otherwise stated. However, I am not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, ureaformaldehyde 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 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 condition, or for any expertise or engineering knowledge required to discover them.
14. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

The report has been prepared with the following limiting conditions:

15. The conclusions expressed in this appraisal report apply only as of the stated date of the appraisal and I assume no responsibility for economic or physical factors occurring at some later

- date which may affect the opinions stated herein.
16. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization.
 17. By reason of the assignment I am not required to give consultation, testimony, or be in attendance in court or any other hearing with reference to the property unless written contractual arrangements have been previously made relative to such additional services.
 18. Disclosure of the contents of the report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
 19. Neither all, nor any part of this report, or copy thereof shall be used for any purposes by anyone other than the client to which the report is addressed without the prior written consent of the appraiser, nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, or any other means of communication (including without limitation prospectus, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the appraiser.

INTRODUCTION

Appraisal Report: This is an Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice 2018-2019. The report and the level of information in the report are based on the needs of the client.

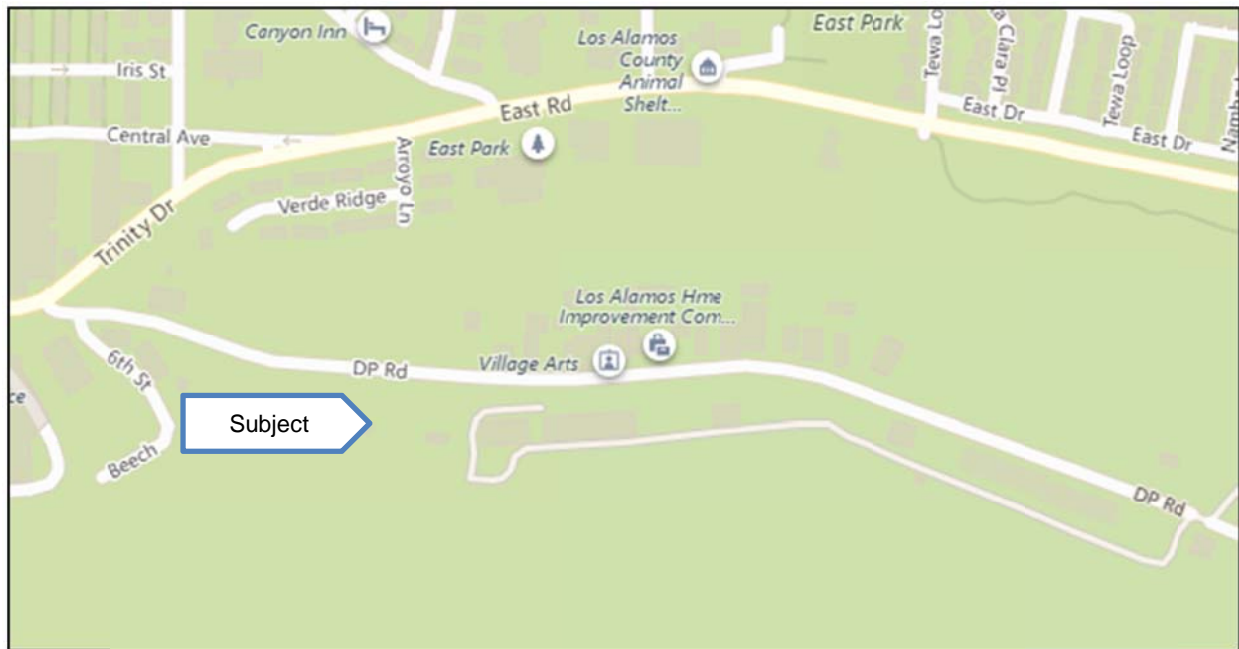
Property Identification: The subject of the appraisal is comprised of vacant land identified as 135 DP Road, located in Los Alamos, NM 87544. It is located east of the intersection of Trinity Drive and DP Road.

Property Ownership And History: The ownership of the subject property is in the following table.

Property	Ownership
135 DP Road	County of Los Alamos, New Mexico

The subject was obtained by the Los Alamos County from The Board of Education of the Los Alamos Public Schools in a land swap. The transaction was recorded on July 3rd, 2006. A copy of the deed can be found in the addenda. The County is in the process of exploring the potential donation of the subject land for affordable housing needs.

Location Of The Property: 135 DP Road, Los Alamos, NM 87544 – The subject property is located on DP Road approximately 1,000 feet east of its intersection with Trinity Drive.



Type And Definition Of Value: The purpose of the appraisal is to provide the appraiser's best estimate of the market value of the subject property as of the effective date. The market value definition is defined by FIRREA:

Market Value Definition
The most probable price which a property should bring in a competitive and open market under conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
<ol style="list-style-type: none"> 1. Buyer and seller are typically motivated; 2. Both parties are well informed or well advised, and each 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; and 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

Intended Use of the Appraisal: The intended use of this appraisal is to assist the client with asset valuation.

¹ Department of Treasury, 12 CFR 34

Intended User of the Report: The report is intended for use by the client: County of Los Alamos. Any other party who chooses to rely on this report is advised the appraiser is not obligated to any party other than the original intended user, nor does reliance on the report by a party other than the original intended user result in such party becoming an intended user of the report.

Interest Valued: The subject consists of one parcel of vacant land which is not leased. Therefore, the ownership interest valued is fee simple.

Definition: Fee Simple

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
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Effective Date of Value: The effective date of value of the subject is November 12, 2018, which is the date of the property inspection.

Date of the Report: November 15, 2018.

Legal Description: The subject is vacant land described legally in the table below. A Copy of the quitclaim deed is located in the addenda.

Legal Description (Tract A-8B):
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Tract A-8B Being part of Tract A-8A, Eastern Area No. 2, County of Los Alamos, NM.
--

Property Taxes: The subject property is owned by the governmental entity, Los Alamos County, and as such, it is not subject to property taxation. The county's tax identification number for Tract A-8B is R008424 and it is assessed for 2018 at \$628,530.

² The Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: The Appraisal Institute, 2015), p. 90

Scope Of The Appraisal: Preparation of the appraisal involved the following:

Subject Property
135 DP Road: appraised in order to assist the client with asset valuation.
Scope of Work
1. Inspected the site
2. Gathered and confirmed information on land sales <i>Note: Sales were viewed by the appraisers in this firm and confirmed with a party knowledgeable regarding the transactions.</i>
3. Valuation – based on the highest and best use: multi-family development allowed under county planning and zoning regulations Confirmed and analyzed the data and applied: <ul style="list-style-type: none"> Sales Comparison Approach Reconciled this approach to a final estimate of the current market value of the property.
Not Developed: <ul style="list-style-type: none"> The cost and income approaches are not appropriate for valuation of vacant land.
For the report the 'as is' fee simple market value of the subject property is determined, as of a current date, November 12, 2018.

No items of personal property are included in this appraisal. Aside from a casual inspection of the property, the appraisal included no assessment of potential environmental hazards. Documents provided for the appraisal did not include a professional environmental study of the property. Therefore, for the purpose of the appraisal, it is assumed there are no potential environmental hazards. If the user of this report has a concern for this matter, it is recommended an environmental assessment be obtained from a qualified professional in the field. The value(s) derived in this report are predicated upon this assumption.

To the Best of My Knowledge, this Report Complies With:
<ul style="list-style-type: none"> The New Mexico Real Estate Appraiser Laws Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation 2018-2019 Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute

The final determination as to the level and degree of compliance of this report with regard to the foregoing policies and guidelines is the responsibility of any person relying on this report. The appraisal is subject to the appraiser's Certification and Statement of Assumptions and Limiting Conditions which accompany this report.

Marketing Time and Exposure Time:**Marketing Time Definition**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.³

Exposure Time Definition

The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. *Comment:* Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market.⁴

Note: Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

In a stable market the marketing time and the exposure time should be the same. The Los Alamos market has been in a state of varying levels of decline for the past several years with some of the market exhibiting tepid performance and some of the market exhibiting significant shifts. Those shifts could cause a difference in the marketing time and exposure time. However, based on economic data and residential sales over the past couple years the overall market appears to have stabilized with less evidence of any shifts in the market that could cause a difference in the marketing or exposure time. Therefore, they have been assumed to be the same in this analysis.

Marketing time will be affected by the supply and demand factors within the market place. Typically, support for a marketing time is sought from the known marketing time of similar properties.

Subject Property

Vacant land

Due to the small amount of commercial land transacting in Los Alamos, the entire Los Alamos/White Rock area was searched for commercial property sales/listing data to calculate marketing/exposure time.

The MLS commercial sales since 2010 and the current MLS listings for all of Los Alamos/White Rock are in the following table.

³ The Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: The Appraisal Institute, 2015), p. 140

⁴ Ibid., p. 83

COMMERCIAL SALES/LISTINGS

Sales							
Year	Sales	Median			Avg.		
		SP	DOM	SP/LP	SP	DOM	SP/LP
Jan- Nov 2018	3	\$2,800,000	1	100%	\$2,008,333	19	96%
2017	1	\$3,550,000	86	92%	\$3,550,000	86	92%
2016	2	\$912,500	234	70%	\$912,500	234	68%
2015	2	\$677,500	277	82%	\$677,500	277	82%
2014	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0
2011	1	\$337,500	355	90%	\$337,500	355	90%
2010	1	\$735,000	113	95%	\$735,000	113	95%
Listings							
Year	Listings	Median			Average		
		LP	DOM	SP/LP	LP	DOM	SP/LP
Listings	6	\$1,500,000	738	n/a	\$1,665,000	781	n/a
There are no pending sales.							
Source: Multiple Listing Service							

The active/pending commercial listing prices range from \$140,000 to \$3,300,000. The active listings market exposure periods range from 9 to 1,561 days. There have been a limited number of price reductions during their current listing period (some were listed previously). Among the eight sales over the last six years+ located in MLS only one included a price adjustment during its market exposure period, and it was at its final listing price 306 days, instead of the total market exposure time of 369 days, prior to closing. The two 2015 sales were on the market 85 and 470 days, respectively, and the 2016 sales were listed 168 and 301 days, respectively. The 2017 sale was on the market 86 days and sold below the list price. Therefore the sales demonstrate market exposure periods of 85 to 470 days at their final listing price. The subject's market appears oversupplied, based on current supply versus historic absorptions. However, the lack of willingness by sellers to reduce asking prices over the last few years reflects the previous economic market which was likely depressed due to uncertainties in the economy and the management/budgeting of Los Alamos National Labs resulting in a wait and see attitude. Over the past 12 months+ the labs have received additional funding which is driving demand for residential properties which in turn is beginning to impact the commercial market: increased interest in Los Alamos per market participants.

Conclusion: After interviewing local commercial real estate brokers, demand for commercial retail or office space in Los Alamos/White Rock decreased due to uncertainty with federal budgets, which directly impacted the demand for space; however, they have seen increasing interest within the last year and a half. The subject is centrally located in Los Alamos with adequate access, and there is limited available vacant land, in Los Alamos, making the subject a desirable property. Therefore, if the subject was actively marketed at or near its current market value, the marketing time/exposure time is estimated to be three to eighteen months.

DESCRIPTION OF REAL ESTATE APPRAISED**Location Description – City**

Los Alamos is a town history built. Born in 1943, it was constructed by the Federal Government as the site of development and construction of the first atomic bomb, which was labeled “The Manhattan Project”. It was a closed and secret city until 1955 when access to Los Alamos was opened. Property ownership remained in the hands of the federal government until 1966 when residential and retail service areas were sold into private ownership. However, the federal government still retains ownership of most of the land in the county.

Los Alamos and White Rock, which is essentially its bedroom community, are not incorporated towns or villages. Rather Los Alamos County has a city/county form of government. There are seven elected members of the county council and an appointed county manager. The county was carved from a corner of Sandoval County in 1949 and contains only 109.35 square miles making it the smallest county in New Mexico by far. However, in the 60 years since its inception, it has gained the status as being the smallest, wealthiest and best educated county in New Mexico.

The largest employment category in Los Alamos is governmental contracting and the largest single employer is LANL, Los Alamos National Laboratory. Therefore, primary concern in Los Alamos/White Rock is the current political climate and its impact on the labs. Also of concern is the management contract for LANL, which was awarded in 2006 to Los Alamos National Security, LLC. This is a consortium composed of the University of California, Bechtel National, BWX Technologies and Washington Group International. The University of California had previously held the contract since it passed into private management and had managed the labs without an industry partner for 62 years.

The annual unemployment rates since 2001 are in the following table. The unemployment rate is based on the civilian labor force.

UNEMPLOYMENT RATE TABLE- LOS ALAMOS

Year	Unemployment
2001	2.6%
2002	2.4%
2003	2.7%
2004	2.8%
2005	2.8%
2006	2.5%
2007	2.1%
2008	3.0%
2009	2.9%
2010	3.3%
2011	3.2%
2012	3.5%
2013	3.8%
2014	3.9%
2015	4.1%
2016	3.9%
2017	3.8%

The most current unemployment rate in Los Alamos is 3.1%, which is unchanged from August, 2018, and down 0.6% from September, 2017. It is still lower than the nearest city (Santa Fe) which had unemployment, unadjusted, of 3.9% in September, 2018, the State of New Mexico, which had a rate of 4.6% for September, 2018, and the national unadjusted rate of 3.6% for September, 2018. Los Alamos historically has had low unemployment, and the current rate is lower than the last year, nearing historic norms.

The political and economic climate surrounding LANL has created uncertainty in the Los Alamos/White Rock real estate market which has translated to a somewhat nervous residential and commercial market, but both residential and commercial data show that situation is currently turning around. Since few commercial properties are listed or sold through MLS in Los Alamos/White Rock, a meaningful study is not possible for commercial.

Residential sales since 2014 are in the following table.

RESIDENTIAL SALES: LOS ALAMOS (AREAS: 51,52,53,54,55,56,57,58,59,60,61,62)

Year	Sales	Change	Average DOM	Sale Price	
				Average	Median
2014	253		164	\$259,753	\$228,700
2015	309	+22.1%	127	\$254,949	\$230,000
2016	381	+23.3%	93	\$280,628	\$260,000
2017	296	-22.3%	48	\$295,633	\$284,500
2018 (Jan-Nov)	339	+14.5%	22	\$326,702	\$315,000

Residential sales increased annually from 2014 to 2016, fell back in 2017, and are back on the rise in 2018. The average days on market has continued to fall since 2014. There are currently 18 active listings and 35 pending sales. This data indicates an (vast) undersupply of available housing.

Economic declines in response to the local political/employment situation are currently being offset by the data from the residential real estate market, which is mirroring the national residential market. Since few commercial properties are listed or sold through MLS in Los Alamos/White Rock, a meaningful study is not possible for commercial. The commercial development in both Los Alamos and White Rock is limited based on the population and the availability of developable land: 88% of developable land is owned by the federal government; 6% of developable land is owned by the local school board and the city/county government, which leaves only 6% in private ownership. The topography of the land renders much land unusable, further reducing the availability of developable land. This has historically created a market that is out of balance with greater demand than there is supply. Los Alamos has seen recent construction of a strip commercial center with a grocery super-store and other retail space, and the commercial market in Los Alamos is generally healthier than White Rock. In addition to the factors above, nuclear operations at LANL are under scrutiny. Much of the current activity at LANL is centered on waste clean-up, and reopening of WIPP is expected to accelerate activity in Los Alamos.

The Federal government has subsidized the local economy since its inception in 1943. In recent years, efforts to diversify the economy have met with mixed success, and it is unlikely Los Alamos will ever achieve a level of diversification where LANL does not dominate the economy. Its funding, or lack thereof, immediately affects the

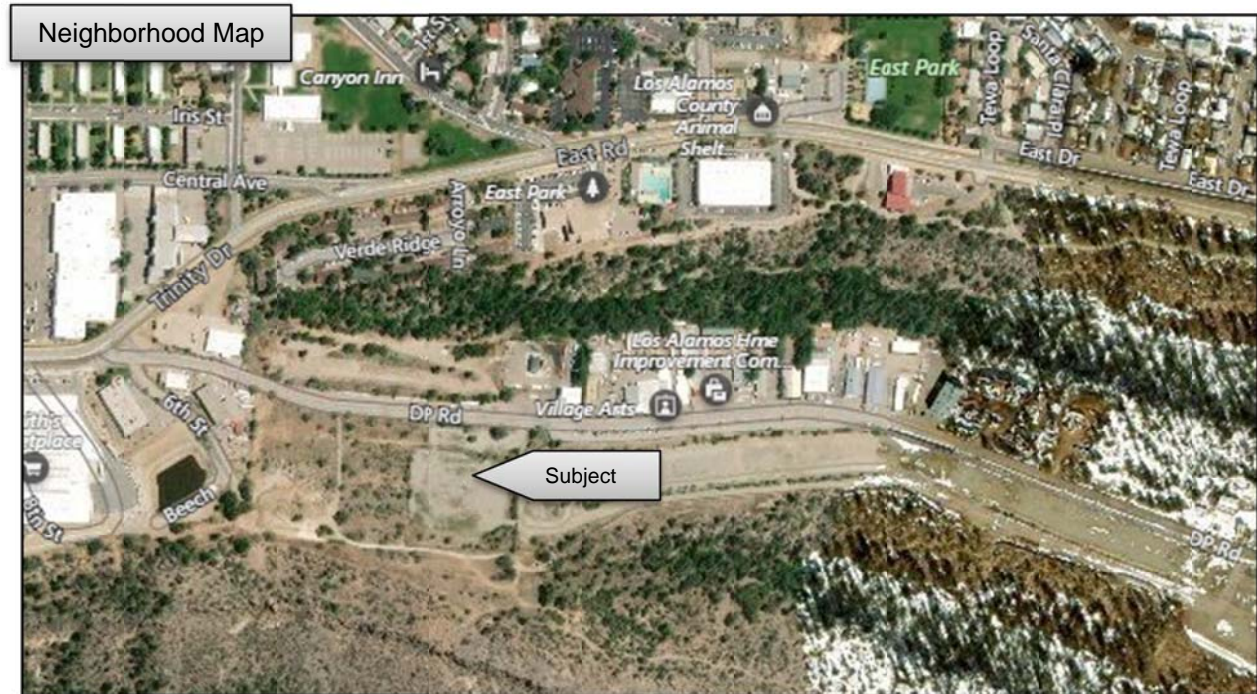
Los Alamos real estate market. Funding for LANL remains steady for the current fiscal year. Therefore, while the economic outlook for the current year is tepid, the result of the management change and the reopening of WIPP brought some uncertainty to the future, but also anticipation of possible improvement.

Location Description - Neighborhood

The subject lies at the periphery of the downtown commercial area of Los Alamos.

Neighborhood Boundary

The subject's neighborhood lies at the eastern periphery of the downtown. It extends from Oppenheimer Drive west to the intersection of Trinity Drive and Central Avenue. It is a mixed use area including both commercial and residential/multi-family property as well as community services and schools.



The subject lies east of Trinity Drive, a 4-lane asphalt-paved traffic arterial, which includes curbs, gutters, concrete sidewalks and street lights. The property is situated approximately 1,000 feet east of Trinity Drive, on DP Road. Trinity Drive runs generally east/west. Along with Central Avenue, Trinity Drive forms the central core of Los Alamos's downtown commercial district. Improvements range from the municipal hospital, the high school and the aquatic center and apartment complexes, to commercial offices fronting on Trinity Drive, all of which lie within approximately a quarter mile of the subject, to banks, grocery stores, hotels/motels, city retail centers, mom and pop retail shops and both local and chain restaurants west of the subject in the downtown. The area is surrounded to the north by apartments, single-family residences and offices, and to the south by federal owned land, including some of LANL's facilities.

Central Avenue, along with Trinity and Diamond Drives are Los Alamos's most traveled arterials. The central areas of Los Alamos are virtually built out, and even older buildings which demonstrate both deterioration and obsolescence are often retained due to the steady incomes they continue to generate. There are no foreseeable adverse factors expected to create any decline in this area of the city.

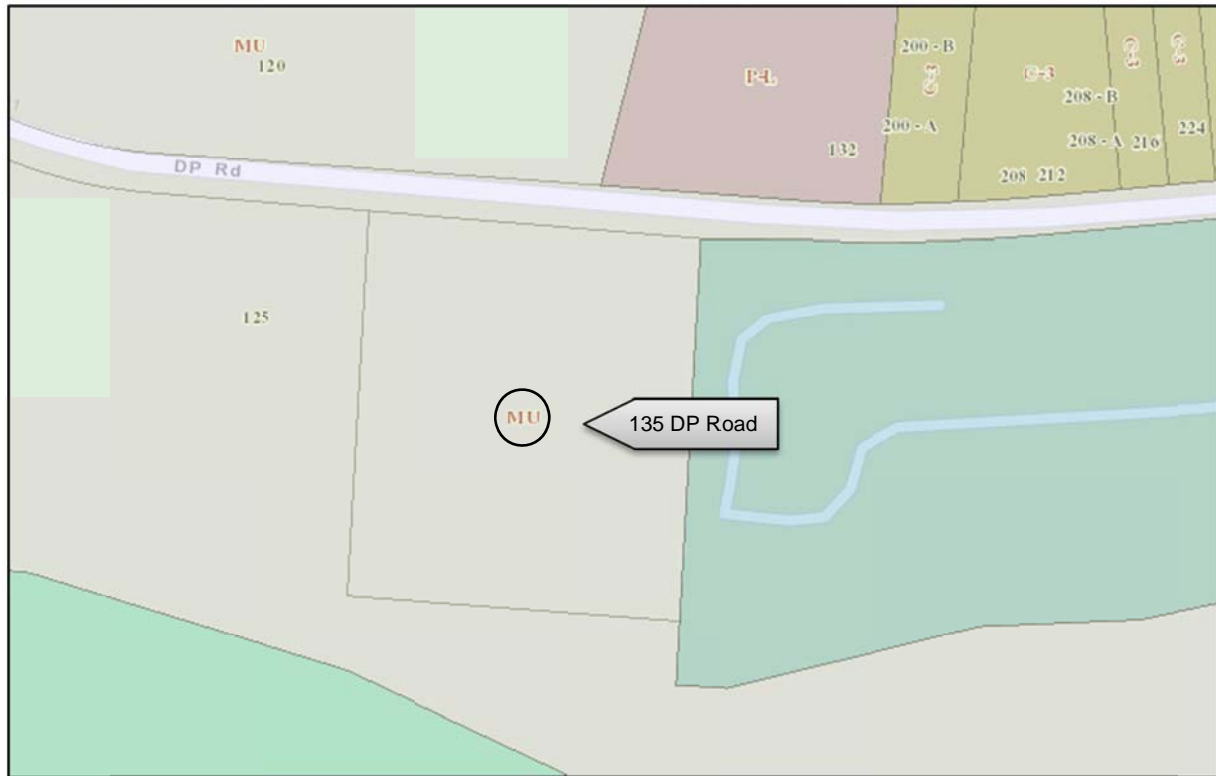
Conclusion: The defined neighborhood lies east of the core downtown in an area of mixed retail, office and light industrial. This is a viable area economically, and the outlook for the future is positive.

Legal Use Of The Property

Subject Zoning (Tract A-8B)

MU

ZONING MAP



Below are details of the zoning district in which the subject is located.

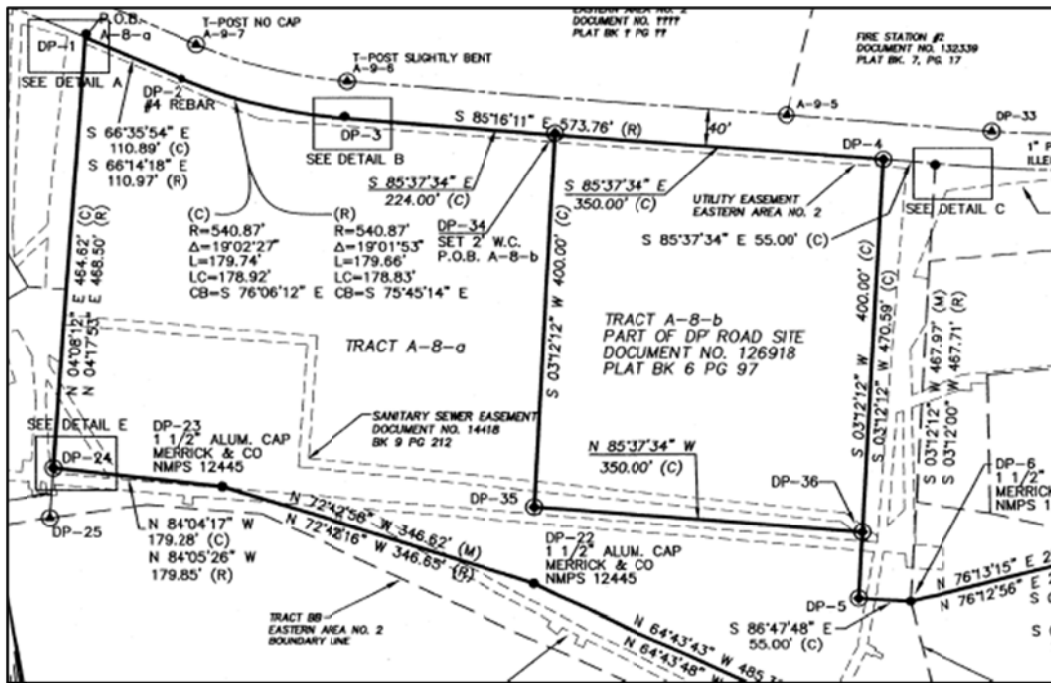
MU

The mixed-use district is intended to provide flexibility in the development or redevelopment of parcels, while promoting good design and encouraging economic development. This district allows office, residential and commercial uses, individually or in any combination, on the same lot or within the same structure. The mixed-use district corresponds closely, in uses and design and development standards to DT-NCO.

Zoning Detail

District	MU
Minimum Lot Area and Size	None
Maximum Height of Structures	50'
Minimum Setback Requirements	none
Maximum Lot Coverage (%)	70%
Parking	One space per 750 square feet
Source: Los Alamos Municipal Code	

The subject tract is identified in the following excerpt from Aerial photography and the plat.



Site Photos: 135 DP Road**SITE DETAILS**

Lot Size	Tract	Size/Acre	Size/Square Feet
	Tract A-8B	3.2 acres \pm	139,971 sf \pm
Site Dimensions	See plat in addenda		
Shape/Topography	rectangular/mostly level		
Frontage	DP Road, asphalt paved street		
Access	DP Road		
Easements/Encroachments	Utility easement along northern border and sewer along southern border.		
Zoning	Tract A-8B: MU		
Flood	Flood zone X: Site is not located in a 1% flood hazard zone. Flood Insurance Rate Map 35028C0045C dated July 18, 2011		
Utilities	Public: water, electric and phone – No public sewer or gas		
Soil	A soil survey was not provided. However, based on nearby improvements, it is assumed soils are stable enough to adequately support construction.		
Comments	No external obsolescence was observed.		

Hippauf Dry & Connelly

HIGHEST AND BEST USE

Highest and Best Use is Defined as:

The reasonably probable and legal use of property that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity.⁵

When studying the highest and best use of a site, the following items should be analyzed:

Highest and Best Use Criteria

- A) Is the use physically possible?
- B) Is the use legally permissible?
- C) Is the use financially feasible?
- D) Is the use maximally productive?

In addition to the four tests, appropriate use is included. It is not a specific test for highest and best use, but a test that is a function of the four tests. The highest and best use of a property is typically determined both as if vacant and as improved. The subject parcel is currently unimproved, so only the highest and best use as vacant is analyzed.

Highest and Best Use As Vacant

Highest and Best Use of Land as Though Vacant is:

Highest and best use of land as though vacant is based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

Legally Permissible: The subject is currently zoned MU. The MU zoning has been recently approved by the County and is designed to support multi-family development.

Physically Possible: The site is generally level with the southern boundary falling into a canyon. Public water, electric and phone are located on DP Road. Public sewer would need to be extended 400 feet from Trinity Drive to the western boundary of the site.

⁵ Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: Appraisal Institute, 2015), p. 109

Appropriate: Appropriate use is not a specific test for highest and best use, but a test that is a function of the other tests. Appropriate use addresses those uses that are consistent with surrounding use, accessibility and visibility. The subject abuts a fraternal organization to its west and mostly light industrial buildings to the east on DP Road. The subject is in close proximity to central shopping districts. Due to the lack of availability of developable land in Los Alamos, the potential for both commercial and residential uses exists. There is currently an oversupply of commercial space available in the County, but because of the undersupply of available single family residences for sale and the extremely low vacancies and waiting lists among rental housing, residential use is needed. Therefore, the most appropriate use of the subject site is for residential development, either single family or multi-family, to the maximum density allowed by the County.

Financially Feasible And Maximally Productive: Financial feasibility of both single family and residential multi-family development was tested based on somewhat broad assumptions. It was determined development of either would be financially feasible at this time, but the multi-family use would be the maximally productive use of the site, producing the greatest return to the land.

Therefore, it is concluded the highest and best use of the land as is, is to develop the site for multi-family residential.

Highest and Best Use As Is – As Vacant
Multi-family development allowed under County planning and zoning regulations

VALUATION

The valuation process is the procedure by which an estimate of value is determined for the subject. The valuation process is addressed in the scope of work section on page 8 of the appraisal report.

Methodology	Page
Market Value	
Sales Comparison Approach	25
Reconciliation and Final Value Conclusion	32

SALES COMPARISON APPROACH**Definition: Sales Comparison Approach**

The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.⁶

The sales comparison approach is based on the premise that a well-informed buyer would pay no more for an existing property than it would cost to buy a similar property. Comparable sales were used to extract the selling price per square foot which was the basis of comparison.

Sales of land appropriate for residential development in Los Alamos, Albuquerque and Santa Fe were researched for the past three years. The current economic downturn which resulted in a significant decline in the sale of developable land began in 2007/2008. Based on this, the search for developable land was initially limited to the past three years; however, due to the limited volume, the search is extended to preceding years and outward to include Albuquerque and Santa Fe. Based on the investor motivation of potential buyers and the ultimate use of the property, these comparables are considered applicable. Data relating to the sales are summarized on the following chart.

⁶ Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed., (Chicago: Appraisal Institute, 2015), p. 207

LAND SALES CHART

No	Grantor/ Grantee	Location	Date of sale	Sales price	Size in sf	Price per sf	Units	Price per unit
1	Nida Russ Los Alamos Visiting Nurse Service, Inc.	2202 Canyon Road Los Alamos	08/2012	\$1,200,000	206,397	\$5.81	103	\$11,650
2	Dragonfly Development Glenrio LLLP	6700 Glenrio Road Albuquerque	01/2014	\$1,569,250	388,986	\$4.03	198	\$7,926
3	Confidential Confidential	Southern Santa Fe	05/2015	\$1,100,000	168,926	\$6.51	112	\$9,821
4	Martinez and Rivera Alameda Loft Investments	2180 West Alameda Santa Fe	06/2015	\$425,000	185,304	\$2.29	32	\$13,281
5	Jeb Rob Titan	2952 Rodeo Park Dr. West Santa Fe	10/2017	\$1,800,000	344,560	\$5.22	188	\$9,574
6	Los Alamos County Non disclosed	Tract A-12 and A-13 Los Alamos	Pending	\$2,175,000	396,832	\$5.48	150	\$14,500

Additional Information:

- (1) In Los Alamos, a two acre parcel (portion of a parent parcel) is in the process of being sold for high density residential development. Currently, this potential transaction is being reviewed by attorneys on both sides (buyer and seller) and should be a pending transaction. The purchase price is \$550,000 for 2.0 acres (\$6.31 per sf or \$12,500 per unit).
- (2) In 2016, a large proposed apartment complex was located on Agua Fria Road, named El Rio, submitted plans to the City of Santa Fe. The property was an assemblage of 16 acres and the project included 399 units. All 16 acres were under contract, purchased, or under option for purchase. The contract price was approximately \$3.00 per square foot with a zoning change to R-24 and \$2.65 with the R-21 zoning. According to the lead designer/builder, the project became unfeasible at land costs above \$2.50 due to the strict "affordable requirement" (15% of all units). A request for R-24 was denied by the City Council. Partners of El Rio stated that in order for the project to be feasible, land costs needed to be approximately \$2.00 per square foot.
- (3) Todd Clarke, Broker at NM Apartment Advisors was interviewed. He confirmed that investor return rates are greater in Albuquerque compared to Santa Fe due to Santa Fe's "affordable requirement." As such, he believes land costs for apartment land will remain higher in Albuquerque. He further stated that

apartment land costs are a function of density and that typical for Albuquerque apartment units is a raw land cost of \$10,000 per unit.

Analysis and Value Conclusion

The comparables represent the most recent sales of vacant land parcels that are similar in utility and general locational attributes to the subject.

Several elements of comparison can affect the value of vacant land. The elements of comparison and their resulting adjustments fall into two categories: transactional adjustments and property adjustments.

CHART OF ADJUSTMENTS

Category	Adjustment
Transactional	Real property rights conveyed Financing terms Conditions of sale Expenditures made immediately after purchase Market conditions
Property	Physical characteristics Location Economic characteristics Use/zoning Other issues Non-realty components value

These elements are analyzed to determine if an adjustment is required. They are discussed below and the findings summarized and reconciled on a comparison grid at the end of the land valuation section. Only those items requiring adjustment are discussed. The transactional adjustments are applied in sequence. The property adjustments do not need to be applied in a specific sequence.

TRANSACTIONAL ADJUSTMENTS

Real property rights conveyed: All of the sales are fee simple.

Financing terms: The financing terms were cash to the seller/cash equivalent for all the comparables. No adjustment was made to any of the comparables for terms of sale.

Condition of Sale: Conditions of sale relates to any undue pressure on either the buyer or the seller. No adjustments for the conditions of sale were needed.

Expenditures after sale: No adjustments for expenditures after sale were needed.

Market conditions: The sales span a time period of 74 months from the first sale to the date of valuation. It is reasonable to expect that values have changed over that time period. The most accurate measure of change in value is the comparison of a sale and

resale of the same property. Lacking a sale and resale, the search was extended outward and none were located.

Los Alamos and Santa Fe had experienced an economic downturn from 2008 through 2014. During the downturn, the range of depreciation for general commercial property has ranged from no depreciation to 50%+. The subject represents high density residential land. There are very few examples of properties bearing these attributes within Los Alamos or Santa Fe. The PwC Real Estate Investor Survey (formerly Korpacz) includes a bi-annual section on apartment/multi-family properties. During the downturn, the publication included these quotes:

- Buyers are finding it much easier to attain financing in the apartment sector than in other commercial property sectors
- Despite economic uncertainty, the national apartment market is providing investors with steady cash flows driven by solid rental demand.
- The apartment market has held the top position as the most promising asset class relative to investment prospects for a five-year stint

Capitalization rates for the National Apartment Market discussed in the PwC Real Estate Investor Survey are analyzed. The capitalization rate is the relationship between the sales price and the net income of the property.

CAPITALIZATION RATES: NATIONAL APARTMENT MARKET

Issue	Capitalization rate - average
2 nd Quarter 2007	5.8%
2 nd Quarter 2011	6.1%
4 th Quarter 2013	5.8%
4 th Quarter 2015	5.35%
4 th Quarter 2016	5.26%
4 th Quarter 2017	5.32%
3 rd Quarter 2018	5.23%

Based on this information and the subject's attributes, neither an appreciation rate nor depreciation rate is applied to the comparables.

Property Adjustments

Physical characteristic

Size The comparables were analyzed based on their size: number of proposed units. Comparables 1, 2 and 6 are located in Albuquerque or Los Alamos and vary in number of units, but do not have a consistent trend. Generally, logic would lean towards a trend of greater unit number to lower prices; however, Comparable 1 was purchased for more

(per square foot) than Comparable 4, which had fewer units per acre. As such, the trend for size is inconsistent.

An additional theory, especially as higher density development is concerned is comparison of density, or units per acre. Comparables 1, 2, 3 and 5 all have density potential greater than 20 units per acre. Comparable 4 has density potential at 7.5 units per acre. Although one could logically assume that higher densities demand greater value, this trend is not always conclusive due to higher infrastructure costs. As such, no trend is concluded with the comparables.

As the data is not conclusive for a size trend, this is further addressed in the reconciliation.

Location The subject's location is considered average. The relative locations of the comparables vary, but are considered reasonably similar to the subject. Comparables 3, 4 and 5 are located in Santa Fe and no adjustment is warranted.

The Albuquerque sale (Comp 2) is considered to be inferior compared to the subject market due to less expensive rent rates. Comparing the Los Alamos and the Santa Fe comparables with higher density with the Albuquerque comparables is shown below.

LOCATION COMPARISON

Property	Price per sf	Adjustment
Avg. of Albuquerque Comps	\$4.03	
Avg. of Los Alamos /Santa Fe Comps	\$5.06	
Difference	+25.56%	+25% rounded

In addition to the comparison above, rent rates of one bedroom apartment units were compared between Los Alamos and Albuquerque. The apartment rates selected represent average quality in locations that are considered average in each town.

LOCATION COMPARISON

Property	Monthly rent	Adjustment
Apartments Albuquerque	\$798	
Apartments Los Alamos	\$939	
Difference	+17.67%	+20% rounded

Based on the comparisons shown above a +20% adjustment is applied to the Albuquerque comparable for its inferior location.

The adjustments are summarized in the following chart. Only those items requiring adjustments are shown.

LAND ADJUSTMENT CHART

No.	Price per sf	Conditions of sale	Location Adjustment	Adjusted price per unit
1	\$5.81	None -0-	Similar	\$5.81
2	\$4.03	None -0-	Inferior +20%	\$4.84
3	\$6.51	None -0-	Similar	\$6.51
4	\$2.29	None -0-	Similar	\$2.29
5	\$5.22	None -0-	Similar	\$5.22
6	\$5.48	None -0-	Similar	\$5.48

Reconciliation

The comparables produced a range of adjusted prices per square foot of \$2.29 to \$6.51 with an average of \$5.02. Comparable 4 is located in Santa Fe and is not considered a good indicator of value due to its lower density allowance. This comparable is given no contributory weight.

Comparable 2 is located in Albuquerque. This comparable required a location adjustment. As such, it is considered to be an indicator of value, but due to the large location adjustment it is considered a supportive comparable.

Comparable 3 is a good indicator of value; however it has a greater allowance for density compared to the subject; hence, its higher value. As such, Comparable 3 is given limited weight.

Comparable 5 is considered a good indication of value. This is the most recent sale of apartment land in Santa Fe. Based on market rent for apartment and overall demand for apartment, the Santa Fe and Los Alamos apartment market are similar.

Comparable 6 is the best comparable. It is larger than the subject, but is being developed for apartments. It is highly likely that this parcel will transact in early 2019 and construction will begin shortly-thereafter. This comparable has better views; however it is not as centrally located as the subject. As such, it is considered slightly inferior to the subject.

Lastly, the amount of competing high density land in Los Alamos is very limited at this time. This characteristic is attractive to developers because in addition to limiting

competition this will lead to a faster lease-up of units after construction. Additionally, due to construction of apartment across the street from the subject, utilities will be readily available on the subject. These aspects of the subject put upward pressure on market value.

Based on this discussion and considering the larger size of the subject tract, an estimated price per square foot of \$6.25 per square foot is selected.

LAND VALUE PER THE SALES COMPARISON APPROACH

size x estimated price per unit (square foot) =	Value
139,971 x \$6.25 per square foot =	\$874,819
Rounded	\$875,000

RECONCILIATION AND VALUE CONCLUSION

The indication of value is as follows:

VALUE INDICATION

Approach	Value
Sales Comparison Approach –	
Land Value: 139,971 square feet	\$875,000

The subject consists of 139,971 square feet of vacant land. It is appraised with a highest and best use as multi-family development. The sales comparison approach was the only approach appropriate to the appraisal and there was adequate data.

Site Value

Based on the data and discussion presented in this report and other material retained in file, it is my opinion that the most probable market value of the fee simple ownership interest (subject to easements and restrictions of record) in the subject property 'as is' and as of November 12, 2018 is the following:

FINAL VALUE – FEE SIMPLE – 'AS IS'

Subject: 135 DP Road		
Market Value – As Is	Fee Simple	Eight Hundred Seventy Five Thousand Dollars \$875,000

ADDENDA

PURCHASE ORDER/APPRAISAL ENGAGEMENT

Purchase Order

INCORPORATED COUNTY OF LOS ALAMOS

Fiscal Year 2019

Page: 1 of: 1

INVOICE TO

ECONOMIC DEVELOPMENT
1000 CENTRAL AVE STE 150
LOS ALAMOS, NM 87544
Email: iacap@lacnm.us

THIS NUMBER MUST APPEAR ON ALL
INVOICES, PACKAGES AND PACKING LIST.

Purchase
Order

78462

This Purchase Order subject to the Standard Terms and Conditions located at https://www.losalamosnm.us/government/departments/administrative_services/procurement unless agreed to in writing by County.

SUPPLIER

HIPPAUF & ASSOCIATES, INC
404 BRUNN SCHOOL RD. BLDG B
SANTA FE, NM 87505

SHIP TO

ECONOMIC DEVELOPMENT
1000 CENTRAL AVE STE 150
LOS ALAMOS, NM 87544
Email: JACQUELINE.SALAZAR@LACNM.US

VENDOR NO: 19219

Procurement Contact Name		Requesting Division	Requestor Contact Name		Date Ordered	Date Required
Liu, Qi		305	JACQUELINE.SALAZAR@L...		11/09/2018	11/09/2018
NO.	ITEM	Description	QTY	UOM	Unit Price	Extended Price
1		APPRAISAL FOR UNNAMED PARCEL, 2.22 ACRES ON SOUTH APPRAISAL FOR UNNAMED PARCEL, 2.22 ACRES ON SOUTH SIDE OF DP ROAD, LOS ALAMOS - APPRAISAL REPORT	1.0	EACH	\$3,036.25	\$3,036.25

By: Annalisa Miranda
Authorized Signature

ATTACHMENT

Total Ext. Price	\$3,036.25
PO Total	\$3,036.25

QUITCLAIM DEED

Parcel A-8-b
QUITCLAIM DEED

The Board of Education of the Los Alamos Public Schools ("Grantor"), with an address of P.O. Box 90, Los Alamos, New Mexico 87544, for consideration received, quitclaims to the Incorporated County of Los Alamos, with an address of 133 Central Park Square, Los Alamos, New Mexico 87544, all of Grantor's right, title and interest in and to the following described real estate:

Tract A-8-b, comprising approximately 3.2132 acres of land, situated in the County of Los Alamos, New Mexico, as described on that certain land survey plat entitled "LAND SURVEY PLAT, LOS ALAMOS NATIONAL LABORATORY, Tract A-8," recorded on the 3rd Day of July, 2006 as document number 189838 at Book 135 and Page 723 of the Los Alamos County Clerk records.

WITNESS OUR hands and seal this 8 day of October, 2013.

Board of Education of Los Alamos
Public Schools

By: [Signature]

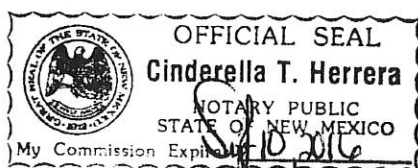
Name: James W. Hall

Title Board President

STATE OF NEW MEXICO
COUNTY OF LOS ALAMOS

This instrument was acknowledged before me on October 8, 2013 by James W. Hall, as President of the Board of Education of the Los Alamos Public Schools.

(Seal)



[Signature]

Notary Public

My Commission Expires Sept. 10, 2016

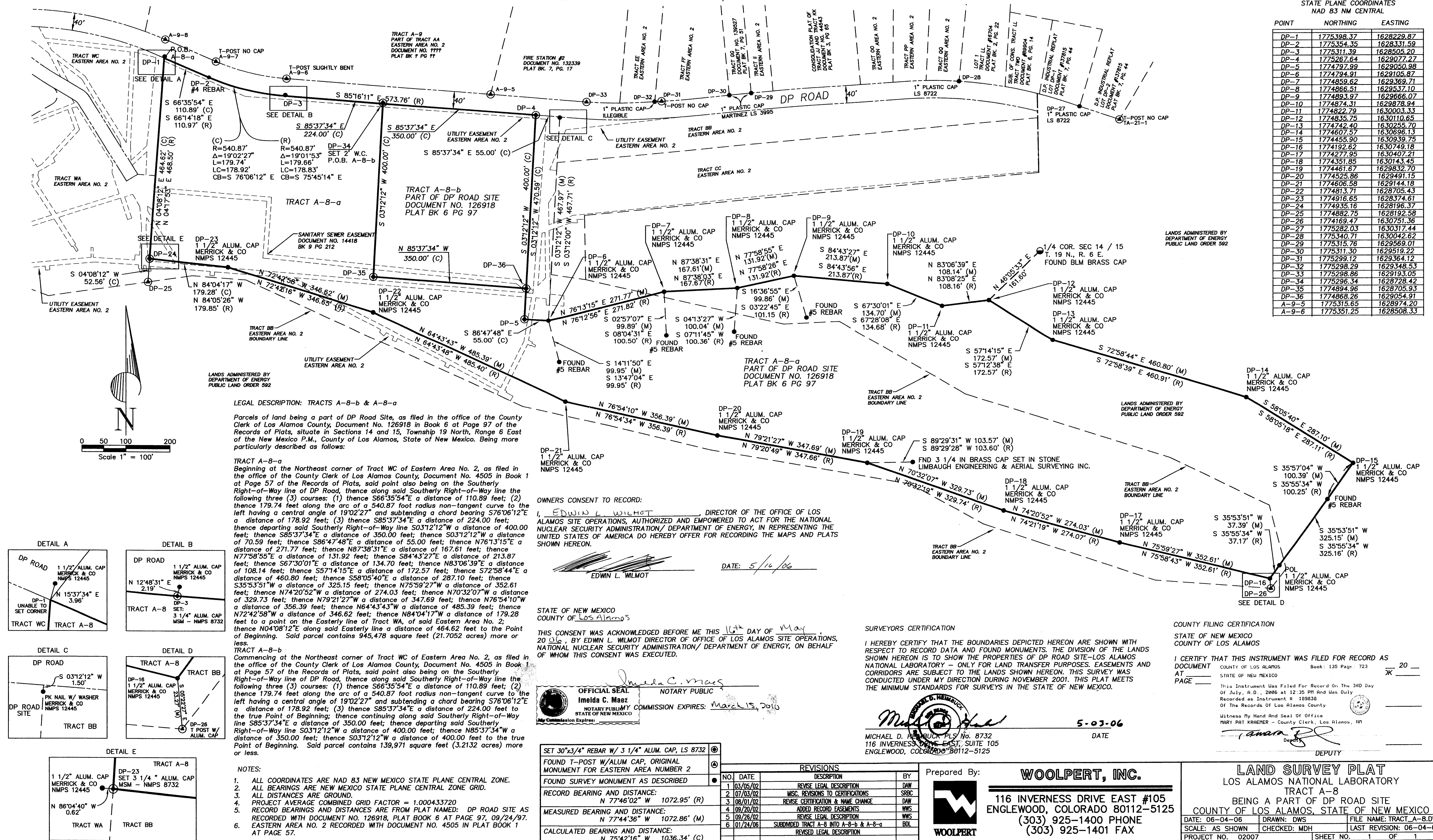


219068 10/30/2013 09:16 AM
Book: 164 Page: 953 County Clerk
LOS ALAMOS COUNTY, NM Adrianna T Ortiz - Deputy



COUNTY PLAT

LAND SURVEY PLAT
LOS ALAMOS NATIONAL LABORATORY
TRACTS A-8-b & A-8-a
BEING A PART OF DP ROAD SITE
COUNTY OF LOS ALAMOS, STATE OF NEW MEXICO



FLOOD MAP

LOS ALAMOS COUNTY UNINCORPORATED AREAS
350035



AREA OF MINIMAL FLOOD HAZARD
Zone X

35028C0045C
eff 7/18/2011

LOS ALAMOS NATIONAL LABORATORY
(AREA NOT INCLUDED)

Zone AREA NOT INCLUDED

ATTACHMENT E

USGS The National Map: Orthoimagery. Data refreshed October 2017.

POWERED BY
esri

APPRAISER'S QUALIFICATIONS

APPRAISER'S QUALIFICATIONS- TIM CONNELLY, MAI

Professional Memberships

- Member of the Appraisal Institute – Designated as an MAI
- The New Mexico Real Estate Appraisers' Board (General Certification #03225-G)

Professional Education

- BS, College of Education, The University of Maryland (1988)
- Masters of Social Work, West Virginia University (1993)

Appraisal Courses and Seminars

- | | |
|--|--|
| <ul style="list-style-type: none">• Real Estate Appraisal (1998)• Applications of Real Estate Appraising (1998)• National USPAP update (2001, 2006, 2011, 2013, 2015, 2017, 2018)• Standards and Ethics (1998)• Introduction to Income and Cost Approach (1998)• FHA Appraising (1999)• Appraising Small Commercial Properties (1999)• Appraising Commercial and Industrial Properties (1999)• The Narrative Report (1999)• The Cost Approach (2007)• Private Appraisal Assignments (2007)• Appraisal Trends (2007)• Construction Details and Trends (2007)• Appraising Factory Built Housing (2007)• Developing and Growing an Appraisal Practice (2007)• Understanding Factory Built Housing (2007)• Information Technology for Real Estate (2007)• Appraising for the Secondary Market (2007)• Income Capitalization (2007)• Fair Housing (2007)• Disclosures and Disclaimers (2011)• Legal Descriptions (2011)• Green Buildings (2011)• Minimize your Liability (2011)• Greening the Appraisal and Real Estate Industry (2011) | <ul style="list-style-type: none">• Mortgage Fraud (2011)• Sales Verification (2011)• Land and Site Valuation (2011)• REO and Foreclosures (2011)• Environmental Issues for Appraisers (2011)• Environmental Contamination of Income Properties (2011)• General Appraiser Site Valuation & Cost Approach (2011)• General Appraiser Sales Comparison Approach (2011)• Statistics and Modeling (2011)• General Appraiser Income Approach (2011)• Expert Witness (2011)• General Appraiser Market Analysis (2011)• Advanced Market Analysis (2012)• Advanced Income Capitalization (2012)• Advanced Concepts and Case Studies (2012)• Quantitative Analysis (2012)• Business Practice and Ethics (2012)• 7 – Hour USPAP update (2013 and 2015)• General Appraiser Report Writing (2013)• Condemnation Appraising: Principles & Applications (2016)• Valuation of Conservation Easements (2017)• 7 – Hour USPAP Update (2018) |
|--|--|

Professional Experience

01/18 – Present: Hippauf Dry & Connelly: CMO
05/11 – 12/17: Hippauf and Associates, Inc., Appraiser
02/08- 02/11: Westholm and Associates, Assistant Appraiser
03/05- Present Self- employed, Conservation Consulting
03/00- 02/05 The Conservation Fund, Maryland Representative
01/98- 02/01 Mid-Shore Appraisal Service, Associate Appraiser

Clients

Clients include local and national lenders, attorneys, institutions, including state and local governmental entities, Non-government organizations and individuals.

Classes of Properties Appraised

Commercial, existing and proposed, such as offices, retail light industrial, self-storage, subdivisions, vacant land, special use properties, farm and ranch. Conservation easements.

