

# **S U M M A R Y   A P P R A I S A L   R E P O R T**

**of the**

**Vacant Land**

**Located at:**

**217 Somerville Avenue  
Somerville, Massachusetts 02143**

**Mark S. Reenstierna  
Appraiser**

**Date of Value:  
September 23, 2019**

**T.H. Reenstierna LLC  
Real Estate Appraisers and Consultants  
22 Mill Street, Suite 102  
Arlington, Massachusetts 02476**

**Prepared for:  
Sunayana Thomas  
Senior Economic Development Planner  
Mayor's Office of Strategic Planning & Community Development  
Somerville City Hall  
93 Highland Avenue  
Somerville, MA 02143**

# T.H. REENSTIERNA LLC

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September 24, 2019

Sunayana Thomas

Senior Economic Development Planner

Mayor's Office of Strategic Planning & Community Development

Somerville City Hall

93 Highland Avenue

Somerville, MA 02143

RE: 217 Somerville Avenue, Somerville, MA 02143

Dear Ms. Thomas:

In accordance with your request, we have made an inspection, prepared a **Complete Appraisal** of the above-referenced property and herein submit our **Summary Appraisal Report**. The subject is known and numbered as 217 Somerville Avenue, City of Somerville, County of Middlesex, Massachusetts.

This report is issued to you in compliance with the minimum standards prescribed in the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of The Appraisal Foundation, as well as any additional policies expressed to us in your engagement letter.

The purpose of this report is to express an opinion of the market value of the fee simple interest of the property under review, subject to normal limiting assumptions and conditions, as well as, if any, specific non-standard limitations that have been disclosed or expressed to us and are outlined in the accompanying report. We have been informed that the function of this report is to assist the property owner in valuation of an asset in association with estate tax administration purposes. The appraiser inspected the property on September 23, 2019. The appraisal has not been based on a requested minimum valuation.

We have not been provided with a list or informed of any personal or other property associated with the realty and improvements thereon, or given any instructions thereto in our engagement. Therefore, the reported value of this appraisal is an estimate of the worth of the rights in the realty. These include all of the physical improvements to the property, but is separate and apart from any other value attributed to any other interest including, but not limited to, any furniture, fixtures, equipment, construction or maintenance materials or supplies, any other personal property, or good will or business associated with the realty.

Sunayana Thomas  
Amleg LLC

217 Somerville Avenue  
Somerville, Massachusetts

In preparing this appraisal report, Mark Reenstierna last inspected the property on September 23, 2019, reviewed local and regional market conditions, and made inquiries regarding the most recent comparable sales and rental rates in the market. We considered all generally accepted approaches to valuation and as discussed in the report have relied on the Sales Comparison approach in developing our opinion. Also, as noted in the Final Reconciliation section of this report, given current market conditions and specifics relating to the subject property, an exposure time to the market less than three months is considered likely at the indicated value estimate.

It is, therefore, our opinion that the market value of the fee simple interest of the property under review, 217 Somerville Avenue, in accordance with the assumptions and limiting conditions prescribed in the report, and considered for its most productive use as of September 23, 2019, is:

**One Million Three Hundred Seventeen Thousand US Dollars**  
**\$1,317,000**

Respectfully submitted,



Mark S. Reenstierna  
MA Certified General  
Real Estate Appraiser #3803

MSR/kc

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**Photograph of 217 Somerville Avenue, Somerville**



Sunayana Thomas  
City of Somerville

217 Somerville Avenue  
Somerville, Massachusetts

## CERTIFICATE OF VALUE

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

- The statements of fact contained in this report are true and correct.
- Mark S. Reenstierna made personal inspections of the property appraised in this report.
- My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- 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.
- 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, I have completed the continuing education program for Practicing Affiliates of the Appraisal Institute.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have performed services regarding this property within the past three years.
- My compensation is not contingent on any action or event resulting from the analyses, opinions, conclusions, or the use of, this report, and is not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- The appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- No one provided significant professional assistance to the persons signing this report.

It is, therefore, my opinion that the market value of the fee simple interest of the property under review, 217 Somerville Avenue, in accordance with the assumptions and limiting conditions prescribed in the report, and considered for its most productive use as of September 23, 2019, is One Million Three Hundred Seventeen Thousand (\$1,317,000) US Dollars.

Appraiser,



Mark S. Reenstierna  
MA Certified General  
Real Estate Appraiser #3803

Sunayana Thomas  
City of Somerville

217 Somerville Avenue  
Somerville, Massachusetts

## **GENERAL ASSUMPTIONS & LIMITING CONDITIONS**

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1. This is an Appraisal Report that is intended to comply with the reporting requirements set forth under Standard Rule 2 of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such, it presents summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.
2. As agreed upon with the client prior to the preparation of this appraisal, this is a Complete Appraisal, and has been completed in conformance with the Uniform Standards of Professional Appraisal Practice.
3. No responsibility is assumed for legal or title considerations. Title to the subject property is assumed to be good and marketable unless otherwise stated in this report.
4. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.
5. Responsible property ownership and competent property management are assumed unless otherwise stated in this report.
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. Any 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 for 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 otherwise stated in this report.
10. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this appraisal report.
11. 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.
12. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits included in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied

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City of Somerville

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unless otherwise stated in this report. No survey has been made for the purpose of this report.

13. 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.
14. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required discovering them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
15. 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 compliance 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.
16. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications unless otherwise stated in this report.
17. The distribution, if any, or 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.
18. 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 qualification, and only in its entirety.
19. 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) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior consent and approval of the appraiser.



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### **Extraordinary Assumptions and Hypothetical Conditions**

**HYPOTHETICAL CONDITION:** that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

**EXTRAORDINARY ASSUMPTION:** an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

This appraisal is not subject to any hypothetical conditions or extraordinary assumptions.

It is important to note that the Appraiser's inspection of the subject property is done only as part of the appraisal assignment's scope of work, which is one of the recognized and required steps in the appraisal process, as required by the lender/client. The Appraiser is NOT a qualified property inspector and makes no representation or warranty about the current or future condition, quality or adequacy of the structural and/or mechanical components of the subject property. The borrower(s)/owner(s) should not rely upon any representation or description contained in the appraisal report concerning these aspects of the subject property. It is recommended that the borrower(s)/owner(s) obtain an inspection report from a qualified expert such as a property inspector.

Sunayana Thomas  
City of Somerville

217 Somerville Avenue  
Somerville, Massachusetts

## SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

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<b>Subject Property:</b>	Vacant Land/Redevelopment site
<b>Property Address:</b>	217 Somerville Avenue, Somerville, Massachusetts 02493
<b>Property Owner:</b>	Amleg LLC
<b>Appraisal Objectives:</b>	Estimate market value of the subject property
<b>Appraisal Function:</b>	Valuation of an asset in association with a possible acquisition of the property.
<b>Effective Valuation Dates:</b>	September 23, 2019
<b>Special Assumptions:</b>	None
<b>Important Locational Economic Factors:</b>	Union Square - Somerville
<b>Property Rights Appraised:</b>	Fee simple
<b>Land:</b>	6,585 square feet
<b>Improvements:</b>	razed
<b>Zoning:</b>	<b>CCD-55</b>
<b>Highest and Best Use: As Improved:</b>	Redevelopment
<b>Highest and Best Use: As Vacant:</b>	Commercial/Residential Development
<b>Valuation Analysis Conclusions:</b>	
Sales Comparison Approach:	\$1,317,000
Income Capitalization Approach:	NAP
Final Value Estimate	\$1,317,000
<b>Anticipated Market Exposure:</b>	Less than three months

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## APPRAISAL REPORT INTRODUCTION

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### **Address and Legal References**

The subject's locus is the Union Square neighborhood of the City of Somerville, Massachusetts. The subject property is known and numbered as 217 Somerville Avenue, Somerville, Massachusetts. The City of Somerville Assessors further identifies it as being parcel 81-C-13.

### **Property Ownership**

As of September 23, 2019, title to the subject property, as described above, is vested in Amleg LLC as shown in a deed recorded at the Middlesex County Registry of Deeds in Book 71146 Page 432.

### **Tax Assessment & Real Estate Taxes**

The assessing authorities have assessed the subject property for FY 2019 as follows:

Parcel	Land	Land Value	Building Value	Total Assessed Value
81-C-13	6,585	\$596,900	\$397,600	<b>\$994,500</b>
			FY19 Tax Rate:	<b>\$17.33</b>
			<b>Real Estate Taxes:</b>	<b>\$17,234.69</b>

Assessed values are not reliable indicators of Fair or Market Value and are used by municipalities for tax purposes only. The assessed values appear low when compared to our estimate of market value.

### **Effective Date of Appraisal**

The effective date of this appraisal is September 23, 2019. We last inspected the subject property on September 23, 2019.

### **Scope of Assignment**

This appraisal report is prepared at the request of Sunayana Thomas for the City of Somerville, to value an asset for a possible acquisition of the property. This assignment calls for a summary appraisal report in conformity with the Uniform Standards of Professional Appraisal Practice, (a Summary Report of a Complete Appraisal, as these terms are defined by The Appraisal Foundation) including an inspection of the property, a complete highest and best use analysis, and application of the three traditional approaches to valuation. The appraisal is made in

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City of Somerville

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conformity with the standards and conditions cited in the contract between the appraisers and Ms. Thomas. The appraisers are competent to perform this assignment, with experience in the appraisal of commercial properties throughout the Greater Somerville area.

Mark Reenstierna last inspected the property on September 23, 2019. The data in this report are derived from numerous other sources including the following.

- Deed and Plans at Middlesex Registry of Deeds
- Assessments at the City of Somerville Assessors
- Somerville zoning maps and by-laws
- Personal inspection
- Site plans from Assessors
- U.S.G.S. maps
- Flood plain maps
- Published data sources (The Warren Group, Banker & Tradesman, MLS, Costar)
- Deeds for comparable properties
- Conversations with brokers or principals for sales and leases, as noted
- Inspection of comparable sales and rentals

In all cases, participants or brokers involved in sales were contacted for verification. In some cases, verification was not possible; in others, participants in sales revealed information, which is described in the "Comment" section for each sale.

### **Appraisal Development and Reporting Process**

In preparing this appraisal, the appraiser:

1. inspected the subject site and building;
2. gathered information on improved sales and land sales,
3. confirmed and analyzed the data and applied the Market Approach to value.

To develop the opinion of value, the appraiser performed a complete appraisal process, as defined by the Uniform Standards of Professional Appraisal Practice. This Summary Appraisal Report is a brief recapitulation of the appraiser's data, analyses, and conclusions. Supporting documentation is retained in the appraiser's file.

### **Definition of Market Value**

Courts and appraisal organizations make use of different definitions of "Market Value" or "Fair Market Value." All refer to a hypothetical sale in which the seller offers property in a competitive market and accepts the highest price offer made. That price, as estimated by the

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appraisers, is the highest selling price and the Market Value. An exchange of property for cash to the seller is typically presumed, unless other terms are standard in the market and are available for the subject property. If seller financing, an assumable mortgage, tax credits, or other such terms are taken into account, these are made explicit in this report.

The definition of Market Value applied here follows.

The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. (IRS Regulation §20.2031-1)

#### **Definition of Fee Simple Estate**

“A fee simple estate is 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.” (*The Dictionary of Real Estate Appraisal*, Sixth Edition, The Appraisal Institute, Chicago, 2015, p. 90)

### **DESCRIPTION OF REAL ESTATE APPRAISED** \_\_\_\_\_

#### **Location Overview – Union Square**

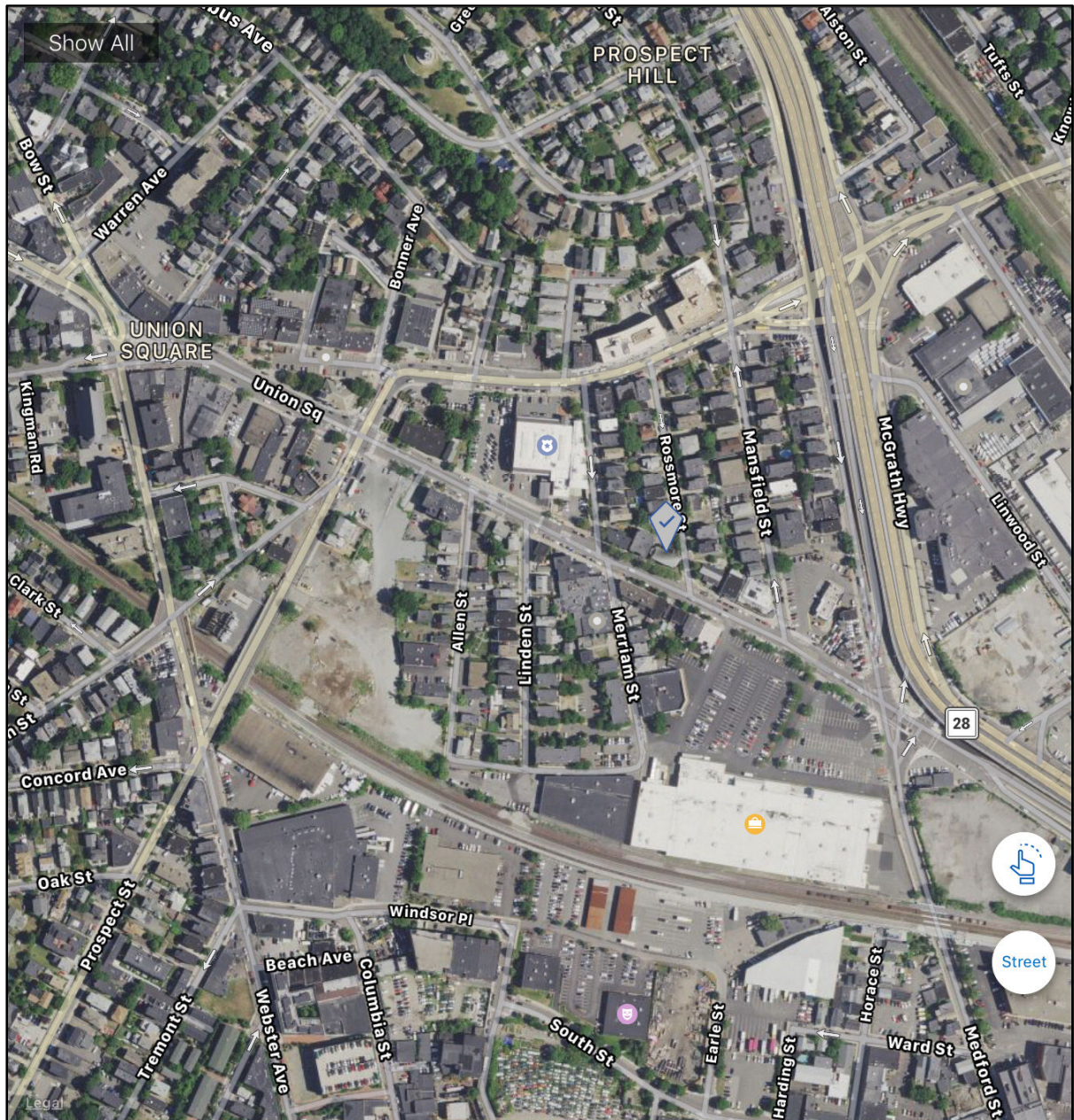
217 Somerville Avenue is located on the easterly edge of the Union Square neighborhood of the community of Somerville, within Middlesex County.

In summary, the subject’s neighborhood represents an assortment of improvements that are in fair to average to good to very good overall condition and conform to one another and the subject. This neighborhood is convenient to the area’s major arteries and is accessible from several secondary roads. There are significant changes being proposed for the area, including extension of the MBTA Green Line, and overall, the subject’s neighborhood should remain stable and well occupied. The strength of the economy, the diversity of the area, and the proximity to several of the area’s major arteries, suggest positive long-term prospects for the neighborhood.

Sunayana Thomas  
City of Somerville

217 Somerville Avenue  
Somerville, Massachusetts

## Neighborhood Map





*Sunayana Thomas*  
*City of Somerville*

217 Somerville Avenue  
Somerville, Massachusetts

## Property Description

### Site



The subject property is a single parcel of land of approximately 6,585 square feet with frontage along Somerville Avenue and Rossmore Street. The site is irregular in shape and is level and at the grade of both roadways. Water, sewer and gas service is installed underground; electric and cable are above ground. The site is minimally landscaped. The site has been vacant since its transfer in June and the landscaping is overgrown. The site is vacant land.

## Zoning

The subject property is situated within the CCD-55 Zoning District which permits a variety of uses. *6.1.22 Corridor Commercial Districts (CCDs).*

- A. *Purpose.* The Corridor Commercial Districts have been established to promote appropriate infill development along heavily traveled transportation corridors, especially where those corridors meet at named Squares. The district recognizes that such corridors present opportunities for an active mix of uses while also addressing development challenges posed by smaller lots and nearby existing residential development and the need to be accessible by multiple modes of transportation. The major objectives of the districts are to:
1. Encourage active mid-rise commercial and residential uses that contribute to a multi-modal-friendly street;
  2. Increase commercial investment in high-profile, accessible areas including retail that is largely neighborhood-serving in multi-tenant, mixed use buildings;

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3. Preserve and complement historic structures;
4. Discourage inappropriate auto-oriented, significant trip-generating uses along transit corridors; and,
5. Promote pedestrian and bicycle activity.

The CCD has two sub-districts, which are distinguished solely by their respective height and density regulations. These regulations are shown in Section 8.5 Table of Dimensional Requirements.

- CCD-45. This sub-district shall provide for mixed-use or commercial development at a small to mid-rise scale.

- CCD-55. This sub-district shall provide for mixed-use or commercial development at a mid-rise scale.

The following table provides the dimensional requirements:

		DISTRICTS												
		RA	RB	RC	NB	CBD	BA	BB	CCD-55	CCD-45	IA	IB	IP	OS
A.	Minimum lot size (s.f.)	10,000 (1)	7,500 (1)	7,500 (1)	NA	NA	NA	NA	NA	NA	NA	NA	10,000	NA
B.	Minimum lot area/dwelling unit													
	1-9 units (s.f.)	2250	1500	875	875	875	875	875	600	750	875	NA	875	NA
	10 or more units (s.f.)	2250	1500	1000	1000	1000	1000	1000	600	750	1000	NA	1000	NA
C.	Maximum ground coverage (%)	50	50	70	80	80	80	80	80	80	80	80	65	30
D.	Landscaped area, minimum percent of lot	25	25	25	10	10	10	10	10	10	10	10	10	5
E.	Floor area ratio (F.A.R.) (2)	0.75	1.0	2.0	2.0	2.0	2.0	2.0	3 (23)	2.5 (23)	2.0	2.0	1.5	0.3
F.	Maximum height (3)													
	stories/	2½	3	3	3	4	4		N/A	N/A			3 (4)	2½



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	feet	35	40	40	40 (18)(19) (20)(21)	50 (20)(21)	50 (20)(21)	50 (20)	55 (23)	45 (23)	50 (20)	50 (20)	45 (4)(20)	35
G.	Minimum front yard (ft)(5a)(5b)(5c)(17)	15 (5)	15 (5)	15	NA	NA	NA	15	NA	N/A	NA	NA	15	NA
H.	Minimum side yards (ft)(5a)(6)(10)(17)	(7)(8) (9)(11)	(7)(8) (9)(11)	(7)(8) (9) (11)	NA (12)	NA (12)	NA (12)	NA (12)	N/A (22)	N/A (22)	NA (12)	NA (12)	NA (12)	(7)
I.	Minimum rear yards (ft)(5b)(13)(14)(15)(17)	20	20	20	NB, CBD, BA, and BB districts: 10 feet, plus 2 feet for each story above the ground floor (also see footnote 12)				N/A (22)	N/A (22)	NA (12)	NA (12)	15 (12)	15 (12)
J.	Minimum frontage (ft)	50 (16)	50 (16)	50 (16)	NA	NA	NA	NA	30	30	NA	NA	NA	NA
K.	Pervious Area, minimum percentage of lot (24) (25)	35	35	30										

The City has proposed new zoning for this area, and the entire city. The proposed zoning for this locus is as follows:

The Civic district is characterized by public spaces, such as parks, commons, and plazas, and buildings dedicated to arts, culture, education, recreation, and local government that serve as necessary components of any community. Buildings are distinctive in their placement, orientation, and design and occupy prominent locations that reinforce community identity.

The subject unit does not appear to fall within a flood plain.

**Current Use and Occupancy – Vacant Land**

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### **History & Recent Use**

In accordance with the Standards of Professional Appraisal Practice of the Appraisal Institute, for a property such as the subject, the appraiser must consider and analyze any sales of the property, which have occurred within the past three years.

The subject property had been owned by Somerville Memorial Post of the American Legion for more than 10 years. In June 2018, Amleg LLC purchased the property for \$1,200,000.

The subject property was not offered for sale as of the effective date of this appraisal. The City of Somerville is interested in acquiring the property.

### **Highest and Best Use**

The Appraisal Institute, defines highest and best use as follows:

“The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.” (*The Appraisal of Real Estate*, Tenth Edition, Chicago, 1992, p. 45)

There are four essential steps in analyzing the highest and best use of the subject property. The first step is a review of legal uses or permissible uses and elimination from consideration of those uses that are not allowed under the current zoning or any deed or other legal restrictions. The second step is a consideration of possible uses and elimination from consideration of those uses that are not physically possible on the site. The third step is a review of feasible uses. Feasible uses are uses that will produce any return on investment to the owner of the site; those uses that do not produce any return are eliminated from consideration. The fourth and final step is a determination of the single use, from among the uses remaining under consideration, which will produce the highest return to the owner. This use is the “highest and best” use and is the use on which the valuation analysis is based.

It is important to note the limits to which it is possible to be specific in the determination of highest and best use. For instance, in a market in which similar parcels of land are purchased for retail use, office use, and hotel use, it may be possible only to specify that the highest and best use for a subject property is for general commercial development.

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The highest and best use of the property as improved may be different from the highest and best use of the site as if vacant. This occurs when the improvement to the site is an under-improvement or not an appropriate use but still contributes to the value of the property in excess of the value of the vacant site.

Highest and best use of land or a site as though vacant is defined as follows.

“Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.” (*The Dictionary of Real Estate Appraisal*, Third Edition, Chicago, 1993, p. 171)

The subject property consists of approximately 6,585 square feet of land and includes approximately frontage along Somerville Avenue and Rossmore Street. The property is zoned for a mix of commercial and residential uses. The existing site is a pre-existing, legal, conforming lot in a neighborhood of commercial and residential uses. The highest and best use of the site, as if vacant, is for development in accordance with the zoning. The current zoning allows a maximum floor area ratio of 3.00, resulting in a potential development of 19,755 square feet of building area. (6,585 sf X 3.00 = 19,755 sf).

The Appraisal Institute defines the highest and best use of property as improved as follows:

“The use that should be made of a property as it exists. An existing property should be renovated or retained as is as long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.” (*The Dictionary of Real Estate Appraisal*, Third Edition, Chicago, 1993, p. 171)

The subject is comprised of a 6,585 square foot parcel of unimproved land.

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City of Somerville

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## APPRAISAL PROCESS

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The purpose of this report is to arrive at an estimate of the Market Value of the subject property. This is achieved by a systematic gathering, classification, and analysis of data required in the development of the three basic approaches to value: the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach.

The *Cost Approach* consists of estimating the replacement cost of all improvements, deducting accrued depreciation from all sources, and adding the value of the land. This is estimated by comparison of the subject to recent sales of similar land. This approach has its strongest reliability in applications involving real estate with new or fairly new structures or with improvements that are designed for a special purpose and which could not be readily converted to other uses.

The *Sales Comparison Approach* involves a comparison of the subject property to similar properties that have actually sold in arms-length transactions or are offered for sale. Sale and asking prices are adjusted to reflect the significant differences, if any, which exist between the sale property and the subject property and the adjusted prices are correlated into a final, indicated subject value. This approach demonstrates what buyers have been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market and is particularly useful in estimating the value of land and properties that are typically owner-occupied. The value generated by analysis of sales typically embraces fee simple interests, as in the case of owner-users, or fee simple interests at or near market rent levels.

The *Income Capitalization Approach* involves an analysis of the income earning capabilities of the subject property by estimating the Market Rent and deducting the operating expenses necessary to support the estimated rent. The net income remaining after expenses is converted into an indication of Market Value through capitalization. This approach is particularly applicable to estimating the value of properties that are normally rented to provide a return on investment (acquisition cost) and that are typically purchased for investment purposes.

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City of Somerville

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### **The Sales Comparison Approach**

This approach provides a useful analytical tool that attempts to abstract from actual realty conveyances a common denominator, typically expressed as sale price per physical or economic unit, and is subsequently adjusted to reflect the characteristics of the subject, which serve as the standard. Adjustments to the comparable sales are made for such factors as time, location, unit size and room count, condition of the property, as well as parking and other economic factors affecting market value. It is typical for buyers and sellers of this property type to rely on the Sales Comparison Approach to value. Their buy/sell decision is typically based upon a value per sale or economic unit; in this case we have utilized a price per square foot of gross living area.

Our research has uncovered several sales and offerings of similar properties purchased for development, in the subject market. The following sales within Somerville have been compared to the subject:

<b><u>Address</u></b>	<b><u>Sale Date</u></b>	<b><u>Asking \$</u></b>	<b><u>Sale \$</u></b>	<b><u>Land SF</u></b>	<b><u>\$/sf land</u></b>	<b><u>GBA</u></b>
371 Summer St	4/17/2019		\$1,589,600	5,174	\$307.23	5,252
103 Washington St	8/31/2018	\$2,000,000	\$1,850,000	5,541	\$333.87	
217 Somerville	5/4/2018		\$1,200,000	6,585	\$182.23	5,089
126 Pearl St	2/9/2018		\$1,500,000	7,840	\$191.33	13,131
13 Alpine St	4/30/2019		\$2,610,000	7,841	\$332.87	11,326
187 Central St	5/1/2018		\$1,150,000	9,583	\$120.00	5,666
109-111 Prospect St	4/9/2018		\$1,900,000	9,583	\$198.27	2,759
34 Heath St	1/18/2018		\$2,200,000	10,402	\$211.50	7,728
			\$1,749,950	7,819	\$234.66	7,279
			\$1,719,800	7,841	\$204.88	5,666

The sales used here consist of recent transfers in the geographical area competitive with the subject and include properties of similar size and nature. All of the sales are located within close proximity to the subject. The sales occurred between January 2018 and April 2019. The sales present an unadjusted range of values from \$120 to \$334 (rounded) per square foot of land area, with an average of \$235. Adjustments have been calculated utilizing market indications of variation and the appraisers' judgment when necessary. Differences that account for the range are primarily in terms of location, building quality and condition, building size, land area, room counts and sale terms.

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City of Somerville

217 Somerville Avenue  
Somerville, Massachusetts

**Market Conditions (Date of Sale)** – The sales of development sites within the subject market have been relatively stable to increasing over the period reviewed. We have applied upward time adjustments to those sales that occurred prior to the effective date of this appraisal.

**Sale Terms** - Unusual sale terms, such as sales at foreclosure auction, can affect price. None of the sales presented here are affected by unusual terms. No adjustments are applied.

**Financing** – Seller financing at a high loan value ratio or a low rate of interest can have the effect of increasing the price for a property above the level that would be achieved without the special financing. The value that is estimated for the subject property is the value presuming no special financing. No adjustments for this factor are required or applied to the sales.

**Property Rights** - The property rights available at the subject are the fee simple rights. The rights at the sales are fee simple or are subject to leases that, to the knowledge of the appraisers, are at rates consistent with the current market. No adjustments are applied.

**Location/Topography** – The subject is in a good location. The sales are considered equal in terms of location. The subject has average topography and the sales are considered equal.

**Quality and Condition** – The subject property is Vacant Land. The sales are all generally similar in terms of overall condition, with some variations. The subject is vacant. The sales that did contain improvements were considered inferior and were adjusted upward.

Of the sales considered, the actual transfer of the subject in May 2018 provides the best indication of value for the subject property. The sales indicate a value of \$200.00 per square foot of land area for the subject and a value through the Sales Comparison Approach of \$1,317,000, as follows.

$$6,585 \text{ SF land area} \times \$200/\text{square foot} = \$1,317,000$$

This assignment is limited in the reporting of descriptions, analyses, and conclusions to a summary format. I have retained in my files the information necessary for the completion of a self-contained narrative appraisal report, should one be required.

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City of Somerville

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## Reconciliation and Final Value Estimate

### As Is

The following market value conclusion assumes a market exposure of about six months. The sales comparison approach to value was developed in this appraisal. The sales comparison approach was felt to be the more reliable method of valuation employed in this appraisal, as it closely approximates the actions taken by buyers in this market.

The indicated value for the subject property, based on the Sales Comparison Approach to value is as follows:

<b>Cost Approach</b>	<b>N/A</b>
<b>Sales Comparison Approach</b>	<b>\$1,317,000</b>
<b>Income Capitalization Approach</b>	<b>\$N/A</b>

The Cost Approach was not employed because participants in the market do not generally consider the cost approach in their buying/selling decisions for property like the subject property. Employing this approach would likely lead to a misleading value indication for the subject.

The Sales Comparison Approach most closely reflects the way the market would view the subject property. The sales comparison approach is judged by the appraisers to be the most reliable method of analysis for the subject property.

On the basis of these considerations, it is our opinion that the market value of the Fee Simple Estate in the subject property, As Is, as of September 23, 2019, is:

**One Million Three Hundred Seventeen Thousand US Dollars**  
**\$1,317,000**

