

**MARKET VALUE,
AS IS,**

**APPRAISAL
OF
THE
PROPERTY
OWNED BY THE**

CITY OF ANNAPOLIS

**PROPERTY
IDENTIFIED AS THE
PUBLIC WORKS FACILITY
LOCATED
ON BOTH THE
EAST AND WEST SIDES
OF
SPA ROAD
(WITHIN
THE SIXTH ASSESSMENT DISTRICT
OF
ANNE ARUNDEL COUNTY),
ANNAPOLIS,
MARYLAND
21401**

**Appraisal
Report
Prepared
For:**

**Mr. Brian D. Snyder, CPPO
Procurement Officer,
City of Annapolis – Central Purchasing
161 Duke of Gloucester Street
Annapolis, Maryland 21401**

**Effective Date:
April 11th, 2018**

**Date of Report:
May 24th, 2018**

**Gary T. Westholm, MAI
Appraiser**

Westholm & Associates, LLC

**150 South Street, Suite 202
Annapolis, Maryland 21401
Office 410-295-0660 Fax 410-295-6566
Email: garywestholm@westholmassociates.com**

May 24th, 2018

Mr. Brian D. Snyder, CPPO
Procurement Officer
City of Annapolis-Central Purchasing
161 Duke of Gloucester Street
Annapolis, Maryland 21401
Email Address: bds@annapolis.gov
(Sent by email only)

Re: Two properties owned by the City of Annapolis. Properties located on the east and west sides of Spa Road, (within the City of) Annapolis, Maryland 21401. Property/properties further identified on Anne Arundel County Tax Map No. 51F, in Block/Grid No. 8, as Parcel Nos. 859 and 62, within the Sixth Assessment District, Anne Arundel County, Maryland.

Dear Mr. Snyder:

At your request, we have made an appraisal of the above-captioned property/properties for the purpose of estimating the market value of the composite subject property, as presently existing. The subject property consist of two tax parcels having a gross land area of approximately 11.97 acres and is presently improved. Importantly, due to the highest and best use being for future development as a planned development, though improved, subject to a hypothetical condition as contained within this appraisal report, the subject property is valued as unimproved.

This appraisal is presented in a summary report format that is limited in scope (see assumptions below). Pursuant to the appraisal request by the client, the subject property is being appraised in order to estimate its current day market value "As Is" (i.e., as presently existing), subject to the hypothetical condition that the subject property is unimproved and is unencumbered by any existing contracts of sale and/or contract leases. The subject property is currently zoned R-1, R-2, and R-3 (City of Annapolis zoning categories). Given the present market conditions the highest and best use of the subject property, as unimproved, is for development as a Special Mixed Planned Development.

It is importantly noted that, in addition to the typical underlying assumptions and contingent conditions contained within Westholm & Associates' appraisal reports, the

following extraordinary assumptions, contingent conditions and hypothetical condition are made an explicit part of this appraisal report.

- Westholm & Associates was not provided any recent Phase I or Phase II Environmental Site Assessments, which would indicate or suggest the presence of potentially toxic or otherwise environmentally hazardous contamination. During the inspection, Westholm & Associates did not observe any indications of potential toxic or hazardous materials or contamination. If there are concerns regarding potentially toxic or otherwise environmentally hazardous contamination affecting the subject property, Westholm & Associates, recommends that a Phase I and/or Phase II Environmental Site Assessment be conducted on the subject property. Environmental contamination or the presence of hazardous conditions may significantly affect the fair market value of the subject property; therefore, Westholm & Associates, has made an Extraordinary Assumption that the subject property is free from any environmental hazards. If subsequent information is obtained indicating that this Extraordinary Assumption is incorrect, then this appraisal and any estimates of value may need to be qualified and/or amended.
- The Maryland Department of Assessments and Taxation tax account information indicates that subject Parcel No. 859 is 15.000 acres in land area and that subject Parcel No. 62 is 1.7700 acres in area. During the course of this appraisal assignment the City of Annapolis provided Westholm & Associates with (a) a survey made (by J.R. McCrone, Jr., Inc., surveyors and engineers, dated June 1956 indicating subject Parcel No. 859 to be 10.38 acres and (b) the coversheet of the Grading Permit Plan entitled "Department of Public Works Spa Road Facilities" By McCrone, dated July 24th, 2017) which indicates that the portion of Parcel No. 859 east of Spa Road is 8.24 acres, more or less. With no survey showing actual land area of Parcel No. 859 west of Spa Road, on a preliminary basis and by use of Merlin Online, Westholm & Associates estimates the size of Parcel No. 859 west of Spa Road to be 1.96 acres, more or less. No survey of subject Parcel No. 62 has been provided to Westholm & Associates. Based upon the preceding, recognizing that the 1956 survey indicates Spa Road to be within a 40' wide right of way but that in the last 60+ years the roadway has been widened, it is an Extraordinary Assumption of this appraisal report that subject Parcel No. 859 is 10.20 acres in land area (of which approximately 8.24 acres is located to the east of Spa Road and approximately 1.96 acres is located to the west of Spa Road) and that subject Parcel No. 62 is approximately 1.77 acres in land area. If subsequent information is obtained indicating that this Extraordinary Assumption is in significant error, then this appraisal and any estimates of value may need to be qualified and/or amended.
- No detailed information has been provided to Westholm & Associates as related to the current City of Annapolis zoning(s) for the composite subject property. However, based upon (a) a review of the coversheet of the Grading Permit Plan entitled "Department of Public Works Spa Road Facilities" By McCrone, dated July 24th, 2017) and (b) a review of the City of Annapolis zoning maps online, the portion of subject Parcel No. 859 located east of Spa Road is split-zoned; with approximately 2.25 acres

zoned R-3 and approximately 5.99 acres zoned R-2. Furthermore, based upon the aforesaid zoning maps, Westholm & Associates preliminarily estimates that approximately 3.25 acres of subject Parcel Nos. 859 and 62 located to the west of Spa Road is zoned R-2 and approximately 0.48 acres of subject Parcel Nos. 859 and 62 located to the west of Spa Road is zoned R-1. Therefore, it is an Extraordinary Assumption of this appraisal report that the land area and zonings cited herein are professionally accurate. If subsequent information is obtained indicating that this Extraordinary Assumption is in significant error, then this appraisal and any estimates of value may need to be qualified and/or amended.

- As of the effective date of this appraisal report, the composite subject property had substantial building and site improvements, including a "service station" (gas pumping stations and in-ground fuel tanks, a single story, masonry construction, concession stand (1,840 gross square feet, more or less) building, a single story, masonry construction, vehicle maintenance shop (6,000 gross square feet, more or less in building area; a 3,000 gross square foot, more or less, "sand" dome (storage of materials), approximately 1,000' of chain link and/or wood fencing, approximately 43,100 square feet of macadam surface parking area, and approximately 7,000 square feet of mixed gravel parking surface area. For purposes of this appraisal report, it is a hypothetical condition that the composite subject property is unimproved. If subsequent information is obtained indicating that this Hypothetical Condition is incorrect, then this appraisal and any estimates of value may need to be qualified and/or amended.

Subject to the above,

FEE SIMPLE MARKET VALUE, AS IS:

As a result of this appraisal, subject to the Extraordinary Assumptions, Underlying Assumptions, Hypothetical and Contingent Conditions contained herein, it is Westholm & Associates opinion that the market value of the subject property fee simple estate/interest, "as is" (as presently existing) and as April 11st, 2018, is:

**FIVE MILLION SIX HUNDRED THOUSAND DOLLARS
(\$5,600,000.00)**

Furthermore, based upon recognition that the subject property is bisected by Spa Road, of the overall market value, as is, of the entire property, based upon the valuation of the subject property it is my opinion that the market value, as is, of the two land components is, as of the effective date of this appraisal report, the following.

Easterly Parcel (8.24 acres, more or less)	=	\$4,675,000.00
Westerly Parcel (3.73 acres, more or less)	=	\$ 935,000.00

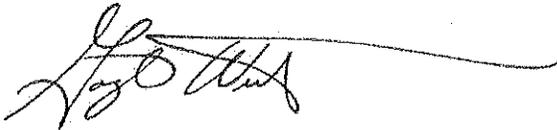
Closing Remarks:

It is noted that the appraiser has estimated the reasonable marketing time for the subject property, as is (i.e., as presently existing). Said Marketing Time Projection is included in this appraisal report. Reasonable marketing time is an estimate of the time period that is required to sell a property interest in real estate at the estimated market value level during the period immediately following the effective date of an appraisal. Thus, in estimating the marketing time projection we're estimating how long would it reasonably take to sell the defined subject property, as is (i.e., as presently existing).

In our analysis of the reasonable marketing time for the defined subject property, based upon supporting data from the market, it is the appraiser's opinion that a reasonable/supportable marketing period of less than twelve months is projected for the subject property as presently existing.

Very truly yours,

WESTHOLM & ASSOCIATES, LLC

A handwritten signature in black ink, appearing to read "Gary T. Westholm", with a long horizontal flourish extending to the right.

Gary T. Westholm, MAI
Certified General Appraiser
Maryland License 04-498

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ZONING

City of Annapolis:

E/s Spa Road	R-2	=	5.99 acres (+/-)
	R-3	=	2.25 acres (+/-)
W/s Spa Road	R-2	=	3.25 acres (+/-)
	R-1	=	0.48 acres (+/-)

Chesapeake Bay Critical Area Overlay Zoning:

E/s Spa Road	LDA	=	5.99 acres (+/-)
	IDA	=	2.25 acres (+/-)
Note: Nominal amount of RCA along southwesterly side property line of Parcel 859.			
W/s Spa Road	IDA	=	2.44 acres (+/-)
	R-1	=	1.29 acres (+/-)

Sustainable Growth and Agricultural Preservation Act Growth Tier = Tier 1

EXTRAORDINARY ASSUMPTIONS

Westholm & Associates was not provided any recent Phase I or Phase II Environmental Site Assessments, which would indicate or suggest the presence of potentially toxic or otherwise environmentally hazardous contamination. During the inspection, Westholm & Associates did not observe any indications of potential toxic or hazardous materials or contamination. If there are concerns regarding potentially toxic or otherwise environmentally hazardous contamination affecting the subject property, Westholm & Associates, recommends that a Phase I and/or Phase II Environmental Site Assessment be conducted on the subject property. Environmental contamination or the presence of hazardous conditions may significantly affect the fair market value of the subject property; therefore, Westholm & Associates, has made an Extraordinary Assumption that the subject property is free from any environmental hazards. If subsequent information is obtained indicating that this Extraordinary Assumption is incorrect, then this appraisal and any estimates of value may need to be qualified and/or amended.

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then this appraisal and any estimates of value may need to be qualified and/or amended.

**HYPOTHETICAL
CONDITIONS:**

As of the effective date of this appraisal report, the composite subject property had substantial building and site improvements, including a "service station" (gas pumping stations and in-ground fuel tanks, a single story, masonry construction, concession stand (1,840 gross square feet, more or less) building, a single story, masonry construction, vehicle maintenance shop (6,000 gross square feet, more or less in building area; a 3,000 gross square foot, more or less, "sand" dome (storage of materials), approximately 1,000' of chain link and/or wood fencing, approximately 43,100 square feet of macadam surface parking area, and approximately 7,000 square feet of mixed gravel parking surface area. For purposes of this appraisal report, it is a hypothetical condition that the composite subject property is unimproved. If subsequent information is obtained indicating that this Hypothetical Condition is incorrect, then this appraisal and any estimates of value may need to be qualified and/or amended.

HIGHEST & BEST USE

Subdivide composite property, land only, for a planned residential community (for townhouses, commercial, and recreational use) and have "ready-to-build" townhouse lots for subsequent sale.

FINAL ESTIMATE OF MARKET VALUE:

FEE SIMPLE, AS IS		\$5,600,000.00
Of Which, Easterly Parcel	=	\$4,675,000.00 (not rounded)
Of Which, Westerly Parcel	=	\$ 935,000.00 (not rounded)

MARKETING PERIOD

No longer than one year at the appraised value

EXPOSURE TIME

No longer than one year at the appraised value

EFFECTIVE DATE

April 11th, 2018

APPRAISER

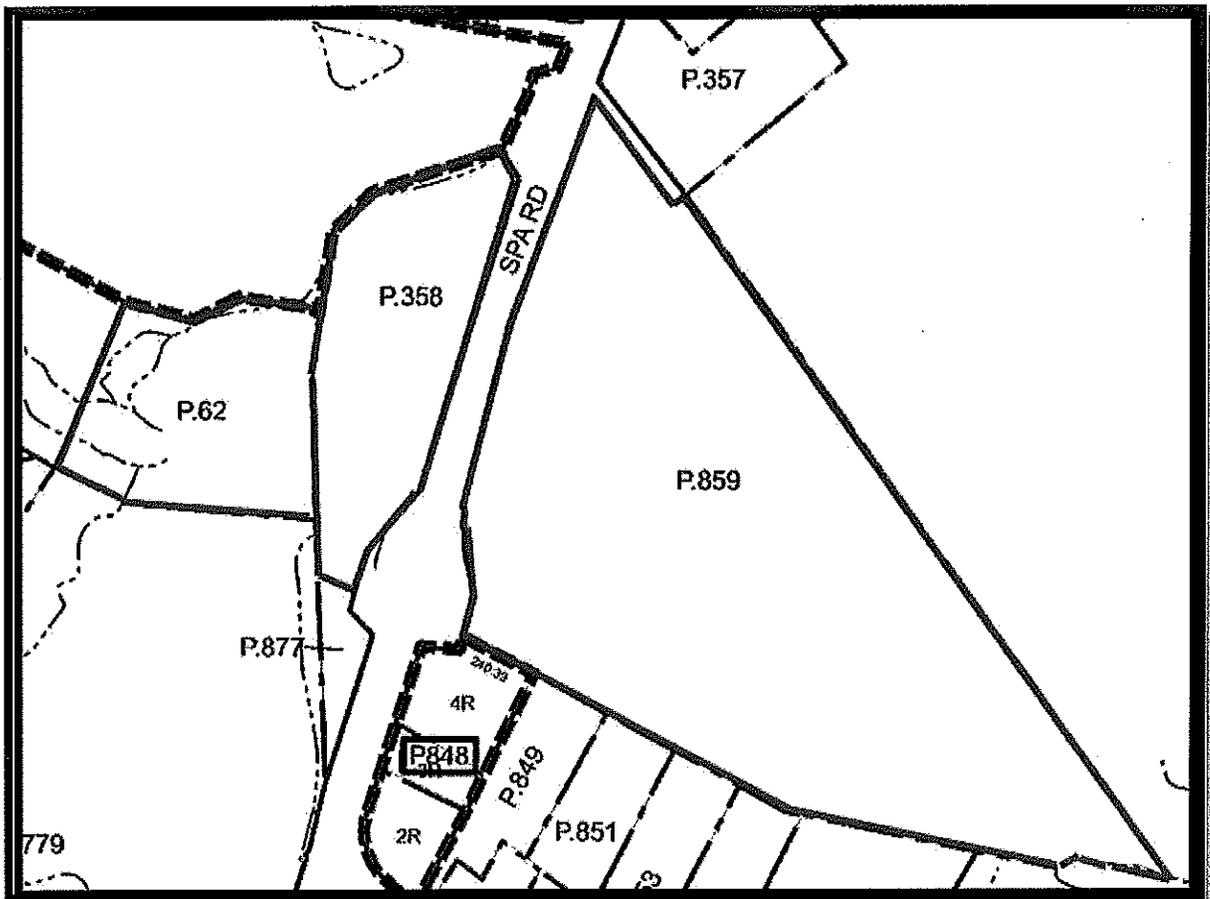
Gary T. Westholm, MAI

Please refer to the addendum regarding significant assistance in preparation of this appraisal report.

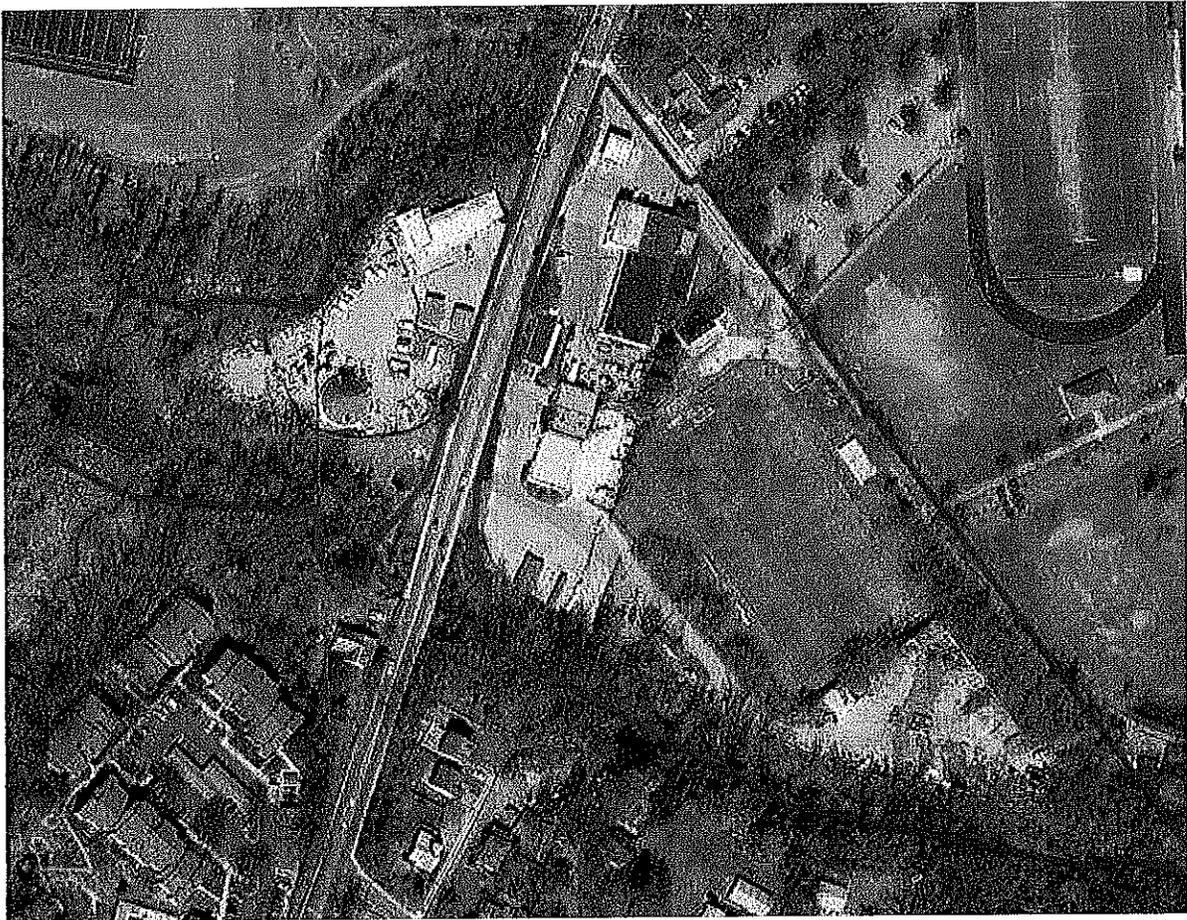
PROPERTY IDENTIFICATION

The composite subject property is located on both the easterly and westerly sides of Spa Road, (within the City of) Annapolis, Maryland 21401. The composite subject property/properties are further identified on Anne Arundel County Tax Map No. 51F, in Block/Grid No. 8, as Parcel Nos. 859 and 62, within the Sixth Assessment District, Anne Arundel County, Maryland. According to the U.S. Bureau of the Census-Census 2010 Tract Boundaries, the subject property is within census tract 7065.00.

A copy of the relevant portion of the tax map and an aerial picture, showing the approximate boundaries of the composite subject property location, follows. The approximate composite subject property boundary is outlined in red.



Comment: Note that the westerly portion of subject Parcel No. 859 above is identified as Parcel No. 358 by the Maryland Department of Assessments and Taxation (SDAT). There are no tax account records for this parcel number.



FUNCTION AND INTENDED USE OF THE APPRAISAL

It is our understanding that this appraisal is intended to be used by the client (the City of Annapolis) for internal decision-making purposes as related to the subject property.

Intended Users:

The intended user of this appraisal report is the City of Annapolis. To the best of our knowledge, we are unaware of any other intended users.

This appraisal is intended to meet the standards and requirements of the Federal Deposit Insurance Corporation (FDIC), the Office of the Controller of the Currency (OCC), and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Additionally, the appraisal was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP, 2018-2019 Edition), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.

PURPOSE OF APPRAISAL

Pursuant to the instructions from the client, the purpose of this appraisal is to estimate the unencumbered fee simple **market value** of the subject property, as is (i.e., as presently existing), as of the effective date (the date of inspection, which is April 11th, 2018).

DATE OF INSPECTION AND EFFECTIVE DATE OF APPRAISAL

Market Value, As Presently Existing:

The subject property was inspected and photographed on April 11th, 2018; this date is the effective date of this appraisal report.

SCOPE OF APPRAISAL

The scope of this appraisal included a physical inspection of the subject site and, as well, the surrounding neighborhood. Factual data, including the zoning of the property, census tract identification, assessment information and the availability of public utilities was obtained from the appropriate local government agencies.

The description of the subject property is based upon an inspection of the subject property on April 11th, 2018. A representative of the City of Annapolis accompanied the appraiser during the inspection, provided information, and answered questions by the appraiser during the inspection.

In the valuation of the subject property only the unimproved Sales Comparison Approach has been used to estimate the market value, as is, of the subject property. The income approach is not used due to lack of information relative to the development potential of the subject property and, as well, professionally estimated costs for development.

The cost approach is not used in the valuation of the subject property, as is, since the subject property is considered as vacant land (thus, there are no improvements).

In using the (unimproved) Sales Comparison Approach to estimate the market value, as is, of the subject property, it is noted that

Westholm & Associates made an extensive search for "raw land" acreage land sales for direct comparison use in the sales comparison approach which had sufficiently similar characteristics as the subject; most notably development land sales for future development with townhouses. Finding such sales is difficult, since such sales are a rarity (i.e., are near non-existent). In fact, based upon interviews (said sources are cited within the valuation section of this appraisal report) with representative for major residential developers in the Anne Arundel County market/marketplace, "raw land" sales of residential development land

are a rarity, since almost all transactions involving development land are subject to contract conditions requiring some, if not many, entitlements in place before an actual real estate transaction takes place.

Such is the situation in valuing the subject property, as is. Thus, the nearest type of sale is of undeveloped land having entitlements (typically having a recorded subdivision plat in place) allowing near immediate physical development/construction of subdivision infrastructure and commencement of construction of residential dwelling. Fortunately, after an extensive search, seven land sales of land to be developed for townhouses were researched and considered to have sufficient similarity (absent being "raw" land) to the subject for direct comparison to the subject in the Sales Comparison Approach. Six of the seven sales occurred in Anne Arundel County.

Finally, a marketing period and exposure time are estimated for the subject property based on the time periods experienced by similar properties. The estimated marketing and exposure periods are based on an analysis of anticipated market trends, conditions in the local and regional real estate market, and the expectations of market participants regarding the future state of local and national economic conditions.

USPAP COMPETENCY RULE

As stated within the *Uniform Standards of Professional Appraisal Practice, 2018-2019 Edition*, on Page 11:

Competency Rule:

An appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary competency to perform the assignment; or (3) decline or withdraw from the assignment. In all cases, the appraiser must perform competently when completing the assignment.

Being Competent:

An appraiser must determine, prior to accepting an assignment, that he or she can perform the assignment competently. Competency requires:

- The ability to properly identify the problem to be addressed;
- The knowledge and experience to complete the assignment competently; and
- Recognition of, and compliance with, laws and regulations that apply to the appraiser or to the assignment.

Acquiring Competency:

If an appraiser determines he or she is not competent prior to accepting an assignment, the appraiser must:

- disclose the lack of knowledge and/or experience to the client before accepting the assignment;
- take all steps necessary or appropriate to complete the assignment competently; and
- describe, in the report, the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.

As stated in previous USPAP's as related to competency, competency applies to factors such as, but not limited to, an appraiser's familiarity with a specific type of property, a market, a geographic area, or an analytical method. If such a factor is necessary for an appraiser to develop credible assignment results, the appraiser is responsible for having the competency to address that factor or for following the steps outlined above to satisfy this COMPETENCY RULE.

The background and experience of appraisers varies widely, and a lack of knowledge or experience can lead to inaccurate or inappropriate appraisal practice. The COMPETENCY RULE requires an appraiser to have both the knowledge and the experience required to perform a specific appraisal service competently.

In an assignment where geographic competency is necessary, an appraiser preparing an appraisal in an unfamiliar location must spend sufficient time to understand the nuances of the local market and the supply and demand factors relating to the specific property type and the location involved. Such understanding will not be imparted solely from a consideration of specific data such as demographics, costs, sales, and rentals. The necessary understanding of local market conditions provides the bridge between a sale and a comparable sale or a rental and a comparable rental. If an appraiser is not in a position to spend the necessary amount of time in a market area to obtain this understanding, affiliation with a qualified local appraiser may be the appropriate response to ensure development of credible assignment results.

Taking into consideration the scope of the assignment outlined above, it is my opinion that I, Gary T. Westholm, MAI, meet the requirements that would allow me to complete this appraisal in a competent and professional manner.

DEFINITIONS OF VALUE

For purposes of this appraisal assignment, the following definitions of value are used.

Market Value: Market value is defined in Chapter 12, Code of Federal Regulation, Part 34.42(f), as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

In addition, for clarification purposes, the following definition of market value "as is" on appraisal date is provided.

Market Value "As Is" on Appraisal Date: An estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date the evaluation is prepared.

The "as is" status of the property reflects its physical condition and any legal, environmental, and/or financial factors or encumbrances known to affect the property at the effective date of the appraisal. The "as is" valuation of the appraised property will reflect the effect on value of all such factors known and conveyed to the appraisers by the client and its representatives. The appraiser is responsible for exercising due diligence in researching and accounting for factors that are items of the public record (i.e., zoning, taxes, covenants, conditions, restrictions, etc.) not reported by the client "as is" market value also must reflect all assumptions of the market value definition.

OTHER IMPORTANT DEFINITIONS

Due to the purpose of this appraisal report, the following definitions are provided to give clarity to the reader when reading/reviewing this appraisal report.

Highest and Best Use:

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

Dictionary of Real Estate Appraisal, Sixth Edition, 2015, p. 109.

Highest and Best Use of Land or a Site "As Though Vacant"

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.

Dictionary of Real Estate Appraisal, Sixth Edition, 2015, p. 109.

Fee Simple Estate:

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.

Dictionary of Real Estate Appraisal, Sixth Edition, 2015, p. 90.

Leased Fee Interest:

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Dictionary of Real Estate Appraisal, Sixth Edition, 2015, p. 128.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time 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; Exposure time is a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

Dictionary of Real Estate Appraisal, Sixth Edition, 2015, p. 83.

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Dictionary of Real Estate Appraisal, Sixth Edition, 2015, p. 84.

Hypothetical Condition

1. A condition that is presumed to be true when it is known to be false.
2. A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Dictionary of Real Estate Appraisal, Sixth Edition, 2015, p. 113.

Jurisdictional Exception

An assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.

Note: We did not identify any part of USPAP that is contrary to the law or public policy of the State of Maryland or Anne Arundel County.

Dictionary of Real Estate Appraisal, Sixth Edition, 2015, p. 123.

PROPERTY RIGHTS APPRAISED

The property rights appraised consist of the fee simple estate, defined in Dictionary of Real Estate Appraisal, Sixth Edition, 2015, p. 90.

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.

Therefore, the property rights to be appraised are the unencumbered, fee simple interest/estate, as is (as presently existing), of the subject property.

EXTRAORDINARY ASSUMPTIONS/LIMITING CONDITIONS

It is importantly noted that the following specific assumptions/limiting conditions are an integral part of this appraisal report.

- Westholm & Associates was not provided any recent Phase I or Phase II Environmental Site Assessments, which would indicate or suggest the presence of potentially toxic or otherwise environmentally hazardous contamination. During the inspection, Westholm & Associates did not observe any indications of potential toxic or hazardous materials or contamination. If there are concerns regarding potentially toxic or otherwise environmentally hazardous contamination affecting the subject property, Westholm & Associates, recommends that a Phase I and/or Phase II Environmental Site Assessment be conducted on the subject property. Environmental contamination or the presence of hazardous conditions may significantly affect the fair market value of the subject property; therefore, Westholm & Associates, has made an Extraordinary Assumption that the subject property is free from any environmental hazards. If subsequent information is obtained indicating that this Extraordinary Assumption is incorrect, then this appraisal and any estimates of value may need to be qualified and/or amended.
- The Maryland Department of Assessments and Taxation tax account information indicates that subject Parcel No. 859 is 15.000 acres in land area and that subject Parcel No. 62 is 1.7700 acres in area. During the course of this appraisal assignment the City of Annapolis provided Westholm & Associates with (a) a survey made (by J.R. McCrone, Jr., Inc., surveyors and engineers, dated June 1956 indicating subject Parcel No. 859 to be 10.38 acres and (b) the coversheet of the Grading Permit Plan entitled "Department of Public Works Spa Road Facilities" By McCrone, dated July 24th, 2017) which indicates that the portion of Parcel No. 859 east of Spa Road is 8.24 acres, more or less. With no survey showing actual land area of Parcel No. 859 west of Spa Road, on a preliminary basis and by use of Merlin Online, Westholm & Associates estimates the size of Parcel No. 859 west of Spa Road to be 1.96 acres, more or less. No survey of subject Parcel No. 62 has been provided to Westholm & Associates. Based upon the preceding, recognizing that the 1956 survey indicates Spa Road to be within a 40' wide right of way but that in the last 60+ years the roadway has been widened, it is an Extraordinary Assumption of this appraisal report that subject Parcel No. 859 is 10.20 acres in land area (of which approximately 8.24 acres is located to the east of Spa Road and approximately 1.96 acres is located to the west of Spa Road) and that subject Parcel No. 62 is approximately 1.77 acres in land area. If subsequent information is obtained indicating that this Extraordinary Assumption is in significant error, then this appraisal and any estimates of value may need to be qualified and/or amended.
- No detailed information has been provided to Westholm & Associates as related to the current City of Annapolis zoning(s) for the composite subject property. However, based upon (a) a review of the coversheet of the Grading Permit Plan entitled "Department of Public Works Spa Road Facilities" By McCrone, dated July 24th, 2017)

and (b) a review of the City of Annapolis zoning maps online, the portion of subject Parcel No. 859 located east of Spa Road is split-zoned; with approximately 2.25 acres zoned R-3 and approximately 5.99 acres zoned R-2. Furthermore, based upon the aforesaid zoning maps, Westholm & Associates preliminarily estimates that approximately 3.25 acres of subject Parcel Nos. 859 and 62 located to the west of Spa Road is zoned R-2 and approximately 0.48 acres of subject Parcel Nos. 859 and 62 located to the west of Spa Road is zoned R-1. Therefore, it is an Extraordinary Assumption of this appraisal report that the land area and zonings cited herein are professionally accurate. If subsequent information is obtained indicating that this Extraordinary Assumption is in significant error, then this appraisal and any estimates of value may need to be qualified and/or amended.

HYPOTHETICAL CONDITIONS

It is importantly noted that the following hypothetical condition is made within this appraisal report.

- As of the effective date of this appraisal report, the composite subject property had substantial building and site improvements, including a "service station" (gas pumping stations and in-ground fuel tanks, a single story, masonry construction, concession stand (1,840 gross square feet, more or less) building, a single story, masonry construction, vehicle maintenance shop (6,000 gross square feet, more or less in building area; a 3,000 gross square foot, more or less, "sand" dome (storage of materials), approximately 1,000' of chain link and/or wood fencing, approximately 43,100 square feet of macadam surface parking area, and approximately 7,000 square feet of mixed gravel parking surface area. For purposes of this appraisal report, it is a hypothetical condition that the composite subject property is unimproved. If subsequent information is obtained indicating that this Hypothetical Condition is incorrect, then this appraisal and any estimates of value may need to be qualified and/or amended.

CITY OF ANNAPOLIS DESCRIPTION

The subject property/properties are located on the easterly and westerly sides of Spa Road (a local arterial roadway), approximately 0.4 miles southwest of the intersection of Spa Road and Westgate Circle and approximately 0.4 miles north of the Spa Road/Hilltop Lane signalized intersection and approximately 0.6 miles north of the Spa Road/Forest Drive signalized intersection. The following is a brief description of the City of Annapolis including historic, physical, demographic, and economic forecasts of the

area. Following demographics data utilized is from *Site To Do Business* (STDB) data system, which considered two Annapolis zip codes as the subject primary market/competitive marketplace; 21401 and 21403 zip code areas. The selected Annapolis zip codes include land not within the City of Annapolis boundaries, however is considered part of the subject's primary market/competitive marketplace.

History

Incorporated as a city in 1694, Annapolis developed as a major colonial port serving central Maryland for importing and exporting goods as well as being along a major colonial overland-water travel route. During this time, Annapolis became the capital of the province which furthered its importance to the colonies. The Treaty of Paris, ending the Revolutionary War, was ratified in Annapolis. Also, for a short period, the city served as the capital of the United States. Annapolis has continued its tradition as a center for government as the location of the state capital and the seat of government for Anne Arundel County.

During the nineteenth century Annapolis lost most of its economic influence as both a port and as a travel center. Newer travel routes, plus the development of railroads for shipping of coal and iron ore, made Baltimore, located 24 miles to the north, the major commercial center in the region. As a result, Annapolis remained a small city. Being the state capital and the seat of Anne Arundel County, government was and continues to be the mainstay of its economic base.

The establishment in 1845 of the United States Naval Academy in Annapolis and its continuance in providing training to future naval officers for the U.S. Navy for the past 160 (+) years has made "Annapolis" a well-known city throughout the United States and, to a lesser degree, throughout many parts of the world. While well-known because of the Naval Academy, Annapolis is much more than simply its home; Annapolis is both an historical city and, as well, a living city of today.

Physical Features

Annapolis is situated in the east/central portion of Anne Arundel County near the confluence of the Severn River and Chesapeake Bay. The city is irregularly shaped by water frontage on the Severn River and several tributary creeks. The city is roughly bound on the north by Weems Creek and U.S. Route 50/301, to the east by the Severn River and the Chesapeake Bay, to the south by Forest Drive (some recently annexed portions of the city are on the southerly side Forest Drive) and the residential areas of Annapolis Neck (a peninsula created by the Severn and South Rivers) and, finally, to the west by the commercial district of Parole and Maryland Route 2. The land area of Annapolis totals 4,414 acres (or 6.90 +/- square miles) including approximately 370 acres for the U.S. Naval Academy.

The topography of Annapolis extends from sea level in the east to just over 100' ASL in the southwest and is typically characterized by level or near level land (with

elevations between 25' to 40' above sea level). A dominant natural feature is its waterways which provide a total shoreline length of over 13 miles, almost two miles of shoreline for each square mile of City of Annapolis (proper) and area.

Transportation

Annapolis is served by a good quality regional road network, primarily consisting of U.S. Route 50/301 (which passes just to the northwest of the city and has been upgraded to interstate status), I-97, and Maryland Route 2. U.S. Route 50/301 leads west to Washington, D.C. (24 miles from Annapolis) and east to the Chesapeake Bay Bridge and the eastern shore. Maryland Route 2 leads north to Baltimore and south to southern Maryland. I-97 leads to the BWI Thurgood Marshall Airport, the BWI/Odenton Amtrak Station and the Baltimore Beltway. Major arterial roadways serving the city itself include Rowe Boulevard (a four lane roadway which leads from U.S. Route 50/301 to the central/historic district of the city), Aris T. Allen Boulevard/Forest Drive (which roughly parallels the city's southwesterly boundary and is the primary access to the easterly parts of the Annapolis Neck peninsula), and West Street (which runs westerly from the central/historic district to the Parole area).

U.S. Route 50/301 has interchanges in Parole and at Rowe Boulevard which provide direct access to several major arterial roadways that penetrate the city. These arterials include Rowe Boulevard, Forest Drive, and West Street. Also, Aris T. Allen Boulevard bypasses the current traffic "bottle necks" in the Parole area just outside the city and serves the residential areas of southeastern Annapolis Neck peninsula.

Mass transit service is available within Annapolis and its immediate outskirts by bus service provided and partially financed by the local municipal government. Also, the state of Maryland initiated a commuter bus service/shuttle run through the auspices of the Maryland Transportation Authority (MTA), connecting Annapolis with Baltimore, and the New Carrollton and Washington Metro train stations; thus, establishing a much needed publicly funded commuter link between Baltimore, Annapolis and Washington. There is no rail service to the Annapolis area.

Demographics

Population growth within the City of Annapolis and adjacent areas in the last decade has been moderate, but greatest increases have been along the Forest Drive corridor. The slow growth in the City is attributable to an aging population having an increasing proportion of "empty nesters" and an influx of older working couples, which has resulted in a net loss of population in the northern and western part of town. The increase in population in the Forest Drive corridor is the result of apartment and condominium construction, and infill of detached homes on remaining lots in the Eastport area. This City trend is matched on the southern (or "County") side of Forest Drive, where there has also been significant new residential and neighborhood commercial development.

Per STDB, the total residential population of the City of Annapolis (21401 and

21403 zip code areas, which includes areas outside of the City) as of 2017 was 70,513. The daytime working population is recorded at 75,891 workers. The daytime population for residents reported is 33,511 residents. The following data shows the total residential population growth from 2000 to 2017 (most recent available data);

Population

- 2000 Population 62,255
- 2010 Population 66,887
- 2017 Population 70,513
- 2022 Population 73,361

Of note, the rate of change since 2010 was 0.73% annually. The five-year projection for the population in the area is 73,361 total persons (Year 2022), representing a change of 0.78% annually. Currently, the population is 48.3% male and 51.7% female.

Housing

As of 2017, the City of Annapolis included a total of 18,681 housing units with 89.1% occupied; the number of units is projected to increase to 19,353 housing units by year 2022, or by 3.5%, with 88.8% occupied at that time. *STDBOnline* projected a median house value for 2017 of \$419,492, the median value is projected to increase to \$452,359 by 2022.

The predominant land use in the larger Annapolis area is residential with single family detached units accounting for approximately 47.8% and townhouse and multifamily residential uses accounting for 4% of the total land area. Approximately 59.5% of the housing units are owner occupied within the greater Annapolis area as of 2015.

When considering the overall 21401/21403 zip code area, currently 53.5% of the 33,587 housing units in the area are owner occupied; 36.1%, renter occupied; and 10.4% are vacant. Currently, in the United States, 55.6% of the housing units are owner occupied; 33.1% are renter occupied; and 11.3% are vacant. In comparison to national statistics, the Annapolis area zip code areas (21401 and 21403) is considered to be within range, "on par," with national averages.

Households by Income

Based on *STDBOnline* statistics, the City of Annapolis has a median household income of \$76,715 annually for 2017, that number is projected to increase by 7.7% to \$83,119 annually into 2022. Median disposable income averages \$56,189 for 2017; average disposable income is projected to be \$73,798 annually for 2017-2022 based on the statistics.

Reviewing data relative to zipcode areas 21401 and 21403, the current median household income is \$88,810 in the area, compared to \$56,124 for all U.S. households. Median household income is projected to be \$97,581 in five years, compared to \$62,316 for

all U.S. households.

Current average household income is \$120,503 in the 21401/21403 zip code area, compared to \$80,675 for all U.S. households. Average household income is projected to be \$134,106 in five years, compared to \$91,585 for all U.S. households.

Current per capita income is \$52,074 in the area, compared to the U.S. per capita income of \$30,820. The per capita income is projected to be \$57,644 in five years, compared to \$34,828 for all U.S. households.

Major Employers

The following chart from the City of Annapolis division of Economic Development (the employer chart was last updated September 2015), lists the top twenty employers within the City of Annapolis.

Company	Number of Employees
State of Maryland	12,132
Anne Arundel County Government	5,190
U.S. Naval Academy	2,340
City of Annapolis Government	550
ARC of the Central Chesapeake Region	390
Annapolis Marriott Waterfront Hotel	280
St. John's College	200
Buddy's Crabs & Ribs, Inc	185
Spa Creek Center Genesis Healthcare	160
Chart House Restaurant	157
Severn Savings Bank FSB	155
Ken's Creative Kitchen LLC	150
Loews Annapolis Hotel	150
Criswell Acura Audi	140
Rams Head Tavern	125
Westin Annapolis	120
Capital Gazette Communications Inc.	100
NMS Healthcare of Annapolis	100
Main Ingredient Café & Catering	100

Per review of the above data, employees work within one of three employment classifications; for state/county/city local government, for higher education, or for service industry. Not considering the education oriented occupations and government oriented occupations (though some of the largest employers within the City of Annapolis, however, are not "active" year-round), the majority of the major employers are service industry oriented.

As previously stated within the Annapolis demographics, a significant number of residents within the Annapolis area travel to other employment centers within Anne Arundel County and outside of the County to other metropolitan centers (Baltimore, Washington D.C., etc.) for work. The following is a list of thirty-two major employers within Anne Arundel County. The data is from the Maryland Department of Commerce (last updated October 2015).

Note, the State of Maryland and Anne Arundel County governments are not included within the following table; but, are shown above in the City of Annapolis employer data. The thirty-two major employers in Anne Arundel County are as follows;

Company	Number Employees
Ft. George G. Meade	53,733
Northrop Grumman	7,725
Anne Arundel Health System	4,000
Southwest Airlines	3,200
Maryland Live! Casino	3,000
University of Maryland Baltimore Washington Medical Center	2,901
U.S. Naval Academy / Naval Support Activity	2,340
Walmart / Sam's Club	2,106
Booz Allen Hamilton	2,100
Anne Arundel Community College	1,849
Allegis Group	1,500
CSC	1,229
Giant Food	1,220
Target	1,050
Lockheed Martin	925
Verizon	844
L-3 Communications	818
Safeway	800
Food Lion	790
Rockwell Collins	773
AT&T Services	700
KEYW	683
TeleCommunication Systems	650
Johns Hopkins HealthCare	625

Shoppers Food Warehouse	625
Shoppers Food Warehouse	625
Under Armour	617
Maryland Jockey Club / Laurel Park	616
Clena	600
Navy Enterprise Resource Planning (ERP)	600
U.S. Coast Guard Yard	598
Home Depot	597

Though the above employer data is “dated,” the list of employers shows the variety of different employers within the County, varying from government contractor oriented companies, to major commercial retail companies.

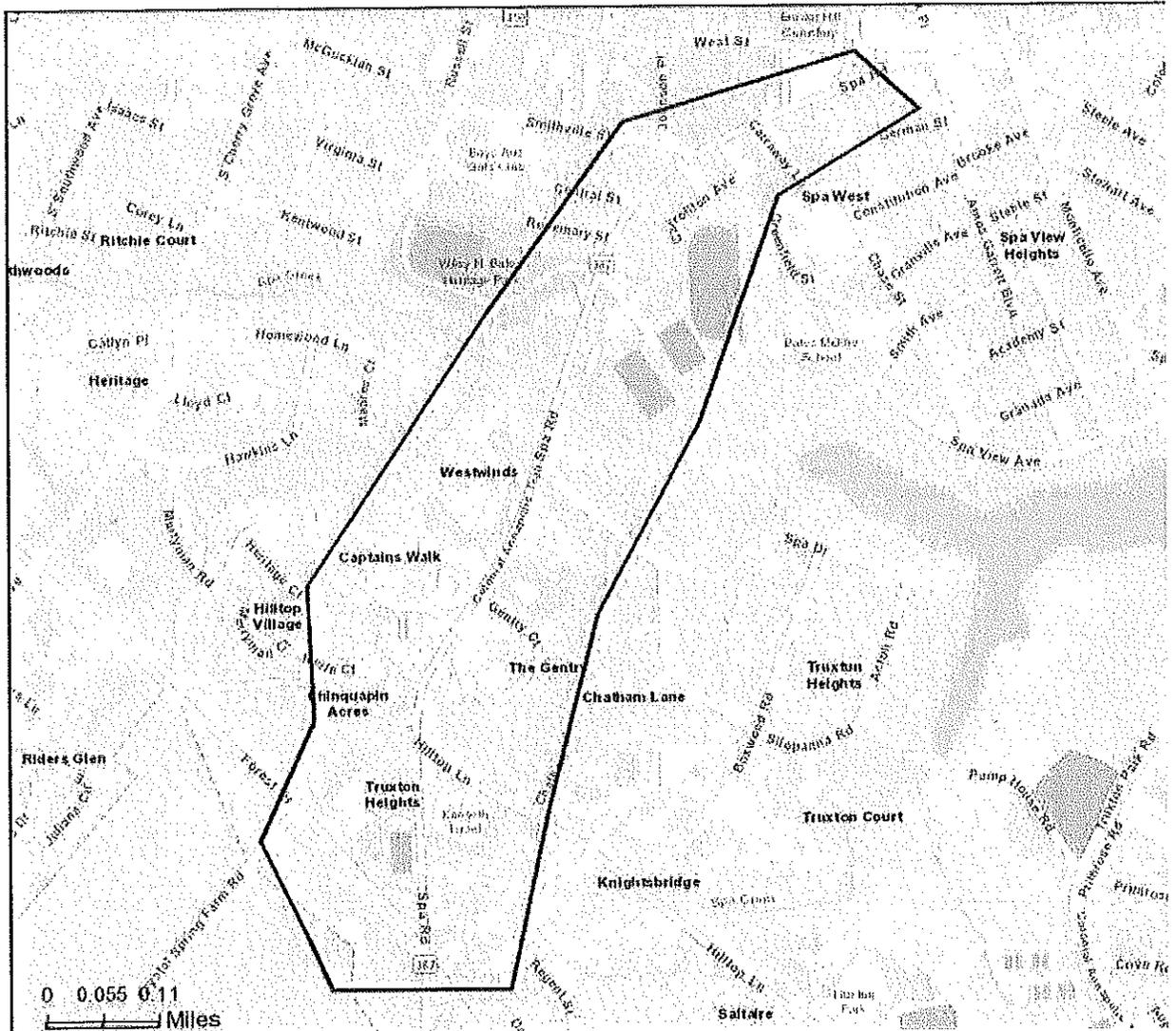
Conclusion

Although small in total area, Annapolis is a city with major importance to the region. It has experienced dramatic increases in employment during the past decade and is now a well-established hub of government and institutions. Tourism and the boating industry have also generated considerable growth in retail sales businesses in recent years. Total employment within the city exceeds actual population.

Annapolis, having extensive waterfront exposure and an appealing lifestyle, continues to attract increasingly affluent residents many of whom commute to high-income jobs in the Washington, D.C. and Baltimore metropolitan areas. For many of the same reasons, coupled with the availability of undeveloped land, the population and economy of Anne Arundel County around Annapolis has continued to grow more rapidly than within the city. This growth trend in the county is expected to continue into the foreseeable future. Further, the employment growth which Annapolis has experienced is expected to continue into the foreseeable future; thus, causing a further need for residential units and ancillary commercial and industrial uses.

NEIGHBORHOOD DESCRIPTION

The subject property is located in what is best described as the Spa Road “corridor”, which is approximately one mile in length and which extends from the Spa Road/West Street intersection at Westgate Circle in a southerly direction to Forest Drive. Uses located along this corridor are primarily residential in character; however, significant commercial development is located at Westgate Circle. Residential development includes single family detached community areas, townhouse development and garden style apartment complexes. Nonresidential development also includes religious facilities in the vicinity of Spa Road and Hilltop Lane. The following map shows the approximate geographic boundaries of what is best described as a “mixed” community area, herein considered the subject property’s defined neighborhood.



Per *STDBOnline* statistics, the following information briefly outlines the demographics, etc., of the above defined subject immediate/nearby neighborhood.

- In the identified area, the current year population is 963 persons. In 2010, the Census count in the area was 929 persons. The rate of change since 2010 was 0.50% annually. The five-year projection for the population in the area is 992 representing a change of 0.60% annually from 2017 to 2022. Currently, the population is 49.4% male and 50.6% female
- The household count in this area has changed from 469 in 2010 to 476 in the current year, a change of 0.20% annually. The five-year projection of households is 486, a change of 0.42% annually from the current year total. Average household size is currently 2.01, compared to 1.97 in the year 2010. The number of families in the

current year is 236 in the specified area.

- Current median household income is \$59,120 in the area, compared to \$56,124 for all U.S. households. Median household income is projected to be \$64,898 in five years, compared to \$62,316 for all U.S. households. Current average household income is \$83,932 in this area, compared to \$80,675 for all U.S. households. Average household income is projected to be \$96,341 in five years, compared to \$91,585 for all U.S. households. Current per capita income is \$38,108 in the area, compared to the U.S. per capita income of \$30,820. The per capita income is projected to be \$43,445 in five years, compared to \$34,828 for all U.S. household
- Currently, 30.8% of the 507 housing units in the area are owner occupied; 63.1%, renter occupied; and 6.1% are vacant. Currently, in the U.S., 55.6% of the housing units in the area are owner occupied; 33.1% are renter occupied; and 11.3% are vacant. In 2010, there were 491 housing units in the area - 33.2% owner occupied, 62.3% renter occupied, and 4.5% vacant. The annual rate of change in housing units since 2010 is 1.44%. Median home value in the area is \$354,545, compared to a median home value of \$207,344 for the U.S. In five years, median value is projected to change by 3.06% annually to \$412,12

Of major interest is the recent and ongoing development in the neighborhood. Most importantly has been the trend of residential townhouse development. Historically, the two major townhouse subdivisions located along the Spa Road "corridor" have been the Spindrift townhouse subdivision (located approximately 900' south of the subject property) and The Gentry townhouse subdivision (located approximately 1,500' south of the subject property). The following is a brief, outline, description of both projects:

Spindrift: This townhouse subdivision was developed in the early 1980's. There are 23, 3-story tall, townhouse units, each with garages, and typically 23' (+/-) in unit width and varying in size from approximately 2,000 gsf to 2,500 gsf. Recent transactions indicate individual units have market values in the \$300,000 to \$340,000 range, more or less. The sale prices indicate sale price rates ranging from approximately \$115.00 to approximately \$145.00 per gross square foot of building area, including supporting land for townhouse units which are approximately 35 years old, more or less, and have interiors which are typically "dated".

The Gentry: This townhouse subdivision was developed in the late 1970's. There are an estimated 77, 2-story tall, townhouse units, none of which have garages, and typically 20' (+/-) in unit width and varying in size from approximately 1,020 gsf to 1,119 gsf. Recent transactions indicate individual units have market values in the \$250,000 to \$280,000 range, more or less. The sale prices indicate sale price rates ranging from approximately \$167.00 to approximately \$190.00 per gross square foot of building area, including supporting land for townhouse units which are approximately 38 to 40 years old, more or less, and have interiors which are, like Spindrift, typically "dated".

More recently, in the 2013-2015 time frame, at the street entrance from Spa Road into Maryland Hall (approximately 1,350', more or less, northeast of the subject—toward Westgate Circle), the Carraway Lane townhouse subdivision was developed. The following is a brief, outline, description of Carraway Lane.

Carraway Lane: This townhouse subdivision was developed in the 2013-2015 time frame.. There are 19, 2 ½ -story tall, townhouse units, none of which have garages (each does have individual parking pads adjacent to their unit), and typically 22' (+/-) in unit width and varying in size from approximately 2,090 gsf to over 2,500 gsf. Recent transactions indicate individual units have market values in the \$500,000 to \$540,000 range, more or less. The sale prices indicate sale price rates ranging from approximately \$235.00 to approximately \$245.00 per gross square foot of building area, including supporting land for townhouse units which are approximately 3 to 4 years old, more or less. Due to being relatively new, all are considered modern and to have "up to date" interiors.

Currently, another major townhouse subdivision project is being developed. Known as the Enclave At Spa, this project is approximately 1,100' south of the subject property (in fact, this property is immediately between, and borders upon, both the Spindrift and The Gentry townhouse subdivisions: The following is a brief, outline, description, of the Enclave At Spa:

Enclave At Spa: This is a 36 lot townhouse subdivision currently being developed on the former Annapolis Radiator shop property. The typical townhomes being constructed are 3 stories in height, 24' wide, vary from 2,387 gross square feet to 2,798 gross square feet in building area, have 3 bedrooms, 2.5 baths, and attached two-car garages. Asking prices vary from \$496,990.00 to \$565,639.00, plus add-ons which can increase the price significantly. As of the effective date of this appraisal report it is understood that eleven (11) units have been sold, three (3) are under contract, and seven (7) are available. Thus, another 15 units remain to be constructed. Based upon list prices, the indicated rates per square foot vary from approximately \$205.00 to \$210.00 per gross square foot of unit area, which is the "base price".

In the future, and at the extreme northerly end of the Spa Road "corridor" (at Westgate Circle), Buzzoto Homes is in the planning stages to develop 18 luxury townhouses at 285 West Street. It is understood that the townhouse units at 285 West Street shall be 20' wide, 4 stories tall, and all shall have elevators. Per a representative of the developer, it is anticipated that the units, when constructed, should sell in the \$700,000.00 "Plus" range.

Subject Neighborhood Conclusion

In consideration of prospects for the neighborhood in general, it is the appraisers' opinion that the residential marketplace shall continue to view the subject neighborhood as highly desirable; thus, resulting in the general value appreciation similar to what has historically been experienced in the well located portions of the City of Annapolis and Anne Arundel County marketplace. Furthermore, and as evidenced by both the historical and

current trends, development of townhouse subdivisions along the Spa Road "corridor" are well received in the marketplace. Further evidence of this trend is the ongoing Enclave At Spa townhouse project and, as well, Buzzuto's plans for 285 West Street.

SUBJECT PROPERTY DESCRIPTION

The composite subject property presently exists as an improved property located on both the easterly and westerly sides of Spa Road, (within the City of) Annapolis, Maryland 21401. The composite subject property/properties are further identified on Anne Arundel County Tax Map No. 51F, in Block/Grid No. 8, as Parcel Nos. 859 and 62, within the Sixth Assessment District, Anne Arundel County, Maryland.

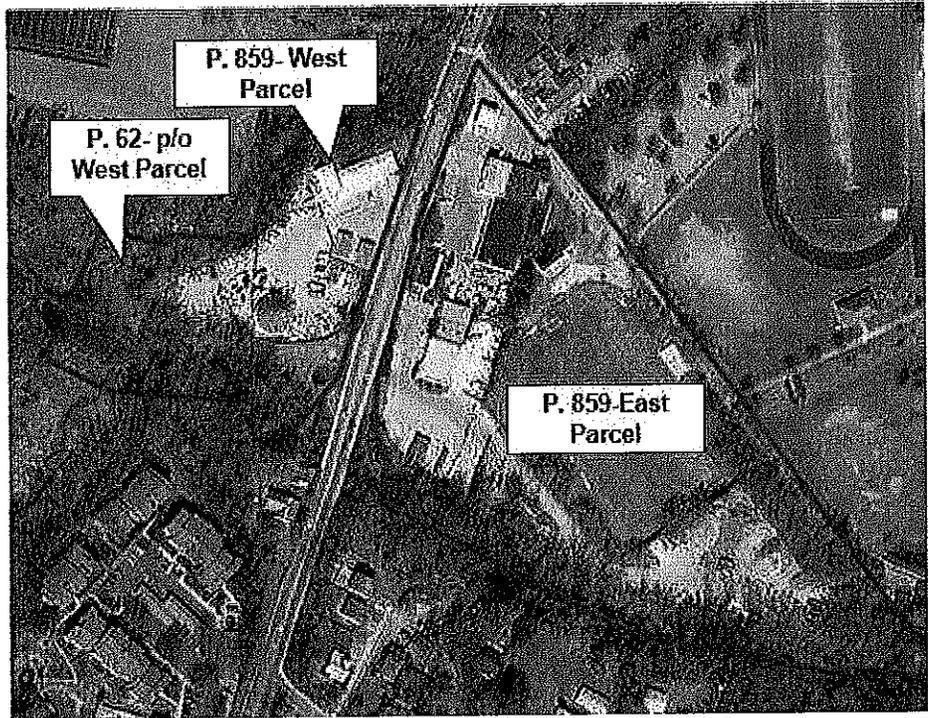
The following is an outline description of the composite subject property.

SUBJECT SITE:

Location On both the easterly and westerly sides of Spa Road, (within the City of) Annapolis, Maryland 21401. The overall subject property is estimated to be approximately 0.4 miles southwest of the intersection of Spa Road and Westgate Circle, approximately 0.4 miles north of the Spa Road/Hilltop Lane signalized intersection and approximately 0.6 miles north of the Spa Road/Forest Drive signalized intersection

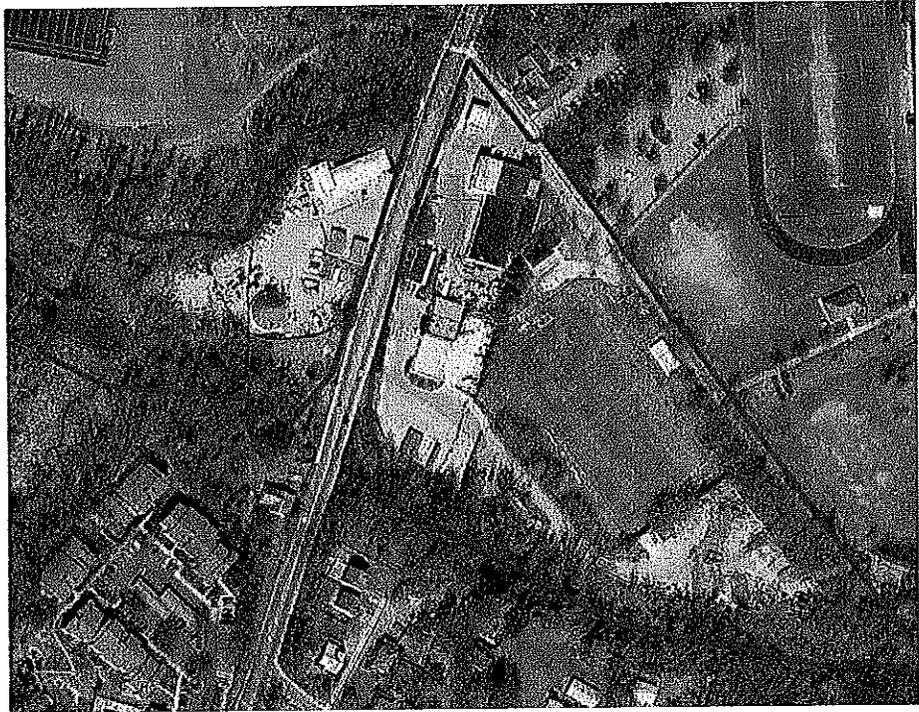
Size	Parcel 859:	E/s Spa Road = 8.24 acres (+/-)
		W/s Spa Road = 1.96 acres (+/-)
	Parcel 62:	West of Spa Road (Landlocked) = 1.77 acres (+/-)
	Total Land Area	= 11.97 acres (+/-)

Note: For clarity, the different land components are identified as follows:



Shape

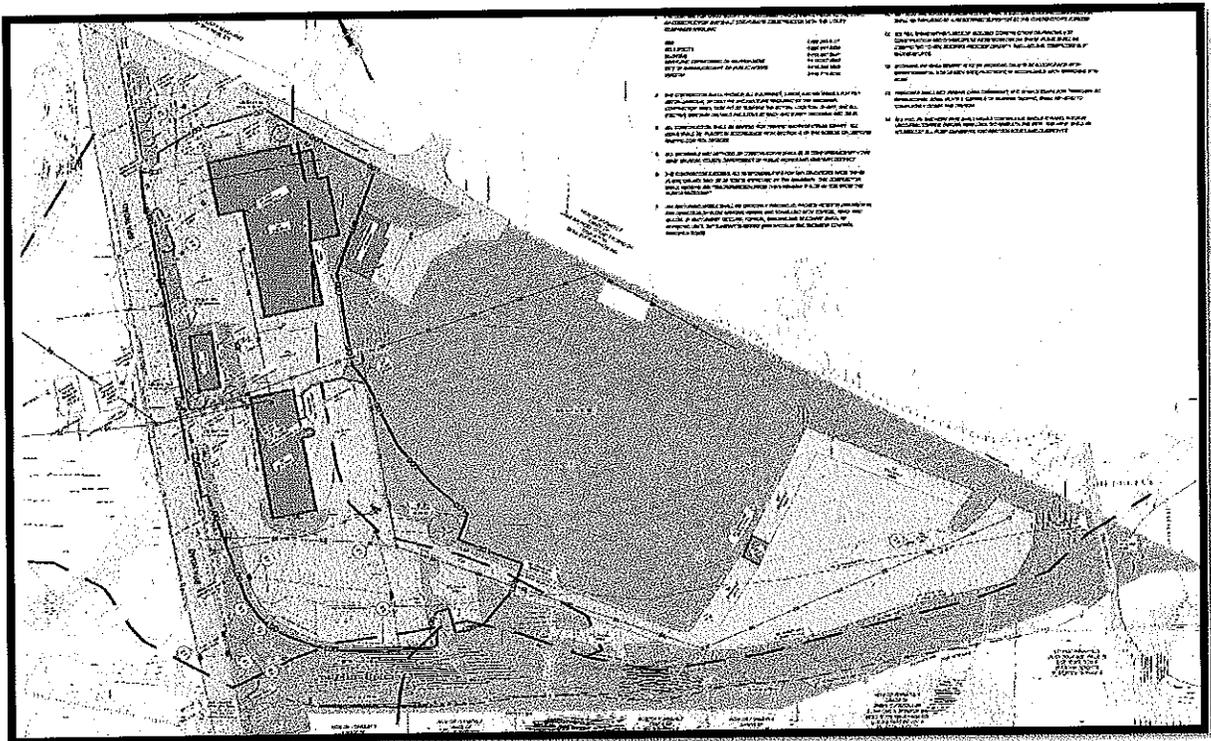
Irregular, as shown below.



Frontage East side Spa Road = 697 feet (+/-), per McCrone 1956 survey
 West side Spa Road= 597 feet (+/-) per McCrone 1956 survey

Depth East side Spa Road= 950' to 1,250' (variable due to shape)
 West side Spa Road= 440' (+/-) maximum

Topography The overall topography of the composite subject property varies from near level to steep slopes. To estimate the amount of near level to steep slopes land on the easterly side of Spa Road, a PDF entitled "GP-O 01 EXISTING CONDITIONS" (by McCrone, revised 8/14/2017) was provided to Westholm & Associates and, at a very small scale, a part of which is shown below.



East Parcel (east of Spa Road)

Based upon a review of the above plan, the overall topographic change within the East Parcel is approximately 36'; from approximately 39' ASL (Above Sea Level) at the northwestern most corner of the parcel to approximately 3' ASL at the extreme southeasterly corner of the parcel (note: this is a distance of over 1,200' horizontally). Additionally, the topography of the East Parcel along Spa Road changes significantly; from the highest point (approximately 39' ASL from the

same northwestern most corner of the parcel) dropping to an elevation of 3' ASL along the headwaters of Spa Creek. This elevation drop occurs over a horizontal distance of approximately 700' (literally the same as the East Parcel's street frontage on Spa Road); however, for an approximate distance of 300' to 330' along Spa Road (and to a depth from the roadway of approximately 160' to 180') the topographic conditions are considered in slight to moderate slope—i.e., very developable. Then, over a horizontal distance southward along the street frontage the land elevation drops approximately 10' over a horizontal distance of 40' to 50'—an unbuildable area, then becoming moderate in slope conditions for a distance of approximately 220' to 250' (and widening to 250' in depth as measured from Spa Road).

Land within the East Parcel to the southeast of the frontage area is mostly either near level or in very moderate slope condition(s). total elevation change of 6', more or less, over a horizontal distance of over 600'. Except along the East Parcel's southerly property line area (where the headwaters of Spa Creek is located), most the "rear land" area of this parcel is developable (not in steep slopes, etc.).

West Parcel (west of Spa Road)

The "West Parcel" is approximately 3.73 acres in aggregate. Topographic conditions vary from near level to moderate slope, then to steep slope, then to low land conditions along both sides of the headwaters of Spa Creek. Overall, the only area where development of buildings/dwellings, etc., could reasonably occur would be in the area where there are existing structures and/or parking areas; which is approximately 1.4 acres (approximately 38% to 40% of the gross land area contained within the West Parcel) and is shown (in light RED) below.



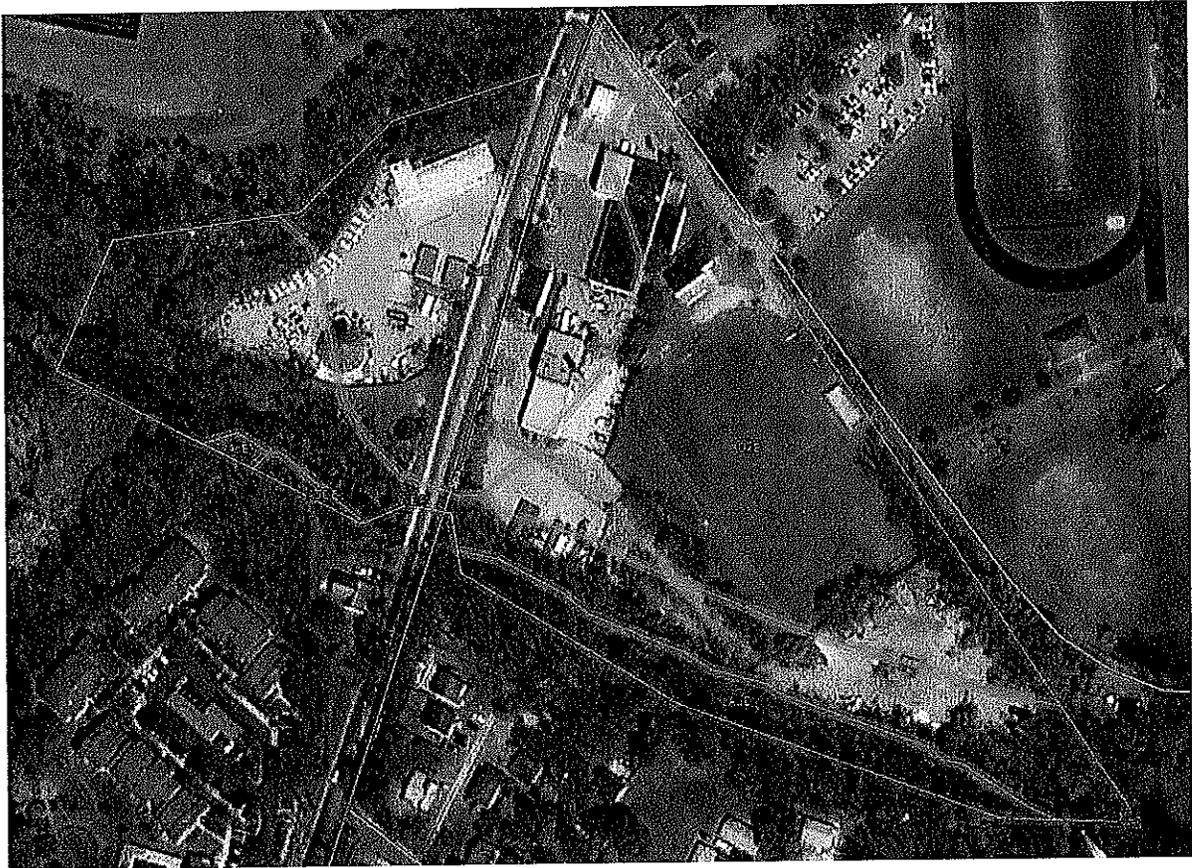
The above shaded area has a two tiered elevation; with the higher elevation area being where the larger building and two “temporary” buildings are located. Elevation changes within this area are very moderate, from 40’ to 28’ ASL. Then the topographic conditions lead to a lower level, the the elevation changes, dropping to approximately 20’ ASL. All of this land area is currently improved, either with buildings and/or parking areas, and is considered buildable.

Land outside of the above described buildable area is considered unbuildable.

Soil Classification

The [Web Soil Survey Online](#) (by the U.S. Department of Agriculture, Natural Resources Conservation Service) map indicates that the subject site is comprised of several different soils. The dominate soils found on the composite subject property include Annapolis-Urban land complex (AuB), 0% to 5% slopes, being on approximately 29% of the land area, Udorthents, loamy, sulfidic substratum (UxB), 0% to 5% slopes, and Widewater and Issue soils (WBA), 0% to 2% slopes (note: WBA soils are frequently flooded areas, not suitable for any

development). The above soils and their approximate location(s) are shown on the following aerial picture.



Per the Soil Survey, approximately 8 acres of the overall site is rated “somewhat limited” for development with dwellings with basements. Without basements, a similar amount of land area is designated as being “somewhat limited” for development.

Overall, it is our opinion that the existing soil conditions are more than adequate for residential subdivision development without significant impact (lot yield) due to the existing soil conditions.

Environmental Considerations

Westholm & Associates was not provided with any Phase I or Phase II Environmental Site Assessments that would indicate or suggest the presence of potentially toxic or otherwise environmentally hazardous contamination on the subject parcels. Westholm & Associates did not observe any evidence that might provide environmental engineers/investigators with concern that potentially toxic or otherwise environmentally hazardous contamination may have occurred on the

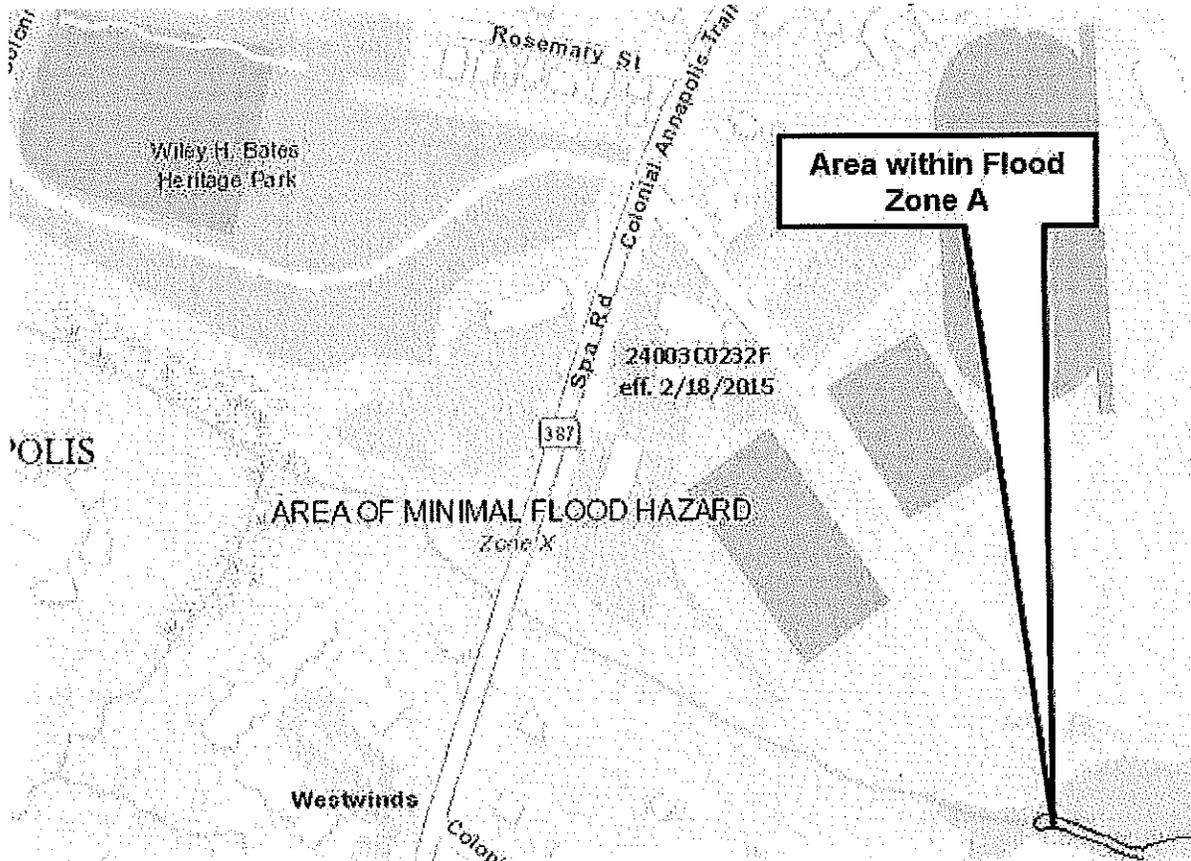
subject site. However, considering the history of the composite subject property, that fact that Westholm & Associates are not experts in the field of hazardous materials detection, Westholm & Associates recommends that a Phase I Environmental Site Assessment be conducted on the subject property. Environmental contamination or the presence of hazardous conditions may significantly affect the value estimated. Therefore, Westholm & Associates have made the following extraordinary assumption:

Westholm & Associates was not provided any recent Phase I or Phase II Environmental Site Assessments, which would indicate or suggest the presence of potentially toxic or otherwise environmentally hazardous contamination. During the inspection, Westholm & Associates did not observe any indications of potential toxic or hazardous materials or contamination. If there are concerns regarding potentially toxic or otherwise environmentally hazardous contamination affecting the subject property, Westholm & Associates, recommends that a Phase I and/or Phase II Environmental Site Assessment be conducted on the subject property. Environmental contamination or the presence of hazardous conditions may significantly affect the fair market value of the subject property; therefore, Westholm & Associates, has made an Extraordinary Assumption that the subject property is free from any environmental hazards. If subsequent information is obtained indicating that this Extraordinary Assumption is incorrect, then this appraisal and any estimates of value may need to be qualified and/or amended.

- Vegetation** Approximately 80% of the overall subject property is "cleared" land while the remainder (approximately 20% of the overall property) is in woodland or in lowland.. The majority of the trees within the woodland area are in excess of 20 years old and are considered a nominal, but positive, attribute of the subject property.
- Access** Current access to the composite subject property is primarily from Spa Road. Currently, the subject has one vehicular access point onto/off each side of Spa Road. In addition, there is a secondary "road" which is located at the northern extreme of the East Parcel (at Spa Road) which leads off of Spa Road to several athletic fields. The intersection of this roadway and Spa Road is signalized. Westholm & Associates has been unable to determine the right of way width of this roadway; however it is recognized that part of this roadway is within the property boundary limits of subject Parcel No 1859-East Parcel.
- Utilities** All public utilities serve, and are available, to the composite subject property.

100 Year Flood Hazard Area

Almost the entire subject property is not located within the 100 year flood hazard area as determined by the Federal Emergency Management Agency (see Flood Insurance Map No. 24003-C0234F, effective February 18th, 2015). However, in the southeastern most corner of subject Parcel 859-East Parcel there is a small amount of land (very low, near sea level) which is in Flood Zone A, as shown on the following map.



Immediate Neighborhood

The immediate area of the composite subject property is primarily residential in character. However, to the north of subject Parcel No. 859-East Parcel is Bates Middle School and associated athletic fields (one field is on the subject parcel) and, as well, a building located at 937 Spa Road (immediately to the north of the subject) owned and occupied by the Anne Arundel County Board of Education.

Subject Parcel 859-West Parcel and Parcel 62 (combined referred to as the West Parcel, is also bordered by To the north and northwest of the subject property is the Wiley H. Bates Heritage Park, which is

improved by an old high school which has been converted to affordable senior housing (71 units) with a senior center, a Boys and Girls Club, and a museum.

DESCRIPTION OF SUBJECT IMPROVEMENTS:

As of the date of inspection, the composite subject property was improved with the following building and site improvements.

- E/s Spa Road: As of the date of inspection property improved by “service station” (gas pumping stations and in-ground fuel tanks and a single story, masonry construction, concession stand (1,840 gross square feet, more or less) building.
- W/s Spa Road: Single story, masonry construction, vehicle maintenance shop (6,000 gross square feet, more or less in building area; 3,000 gross square foot, more or less, “sand” dome (storage of materials), approximately 1,000’ of chain link and/or wood fencing, and approximately 43,100 square feet of macadam surface parking area. Note: Two removable buildings located on w/s Spa Road not considered real property.
- Parcel 62: Approximately 7,000 square feet of mixed gravel parking surface area.

It is importantly noted, however, as related to the above described improvements, the following hypothetical condition has been made within this appraisal report.

As of the effective date of this appraisal report, the composite subject property had substantial building and site improvements, including a “service station” (gas pumping stations and in-ground fuel tanks, a single story, masonry construction, concession stand (1,840 gross square feet, more or less) building, a single story, masonry construction, vehicle maintenance shop (6,000 gross square feet, more or less in building area; a 3,000 gross square foot, more or less, “sand” dome (storage of materials), approximately 1,000’ of chain link and/or wood fencing, approximately 43,100 square feet of macadam surface parking area, and approximately 7,000 square feet of mixed gravel parking surface area. For purposes of this appraisal report, it is a hypothetical condition that the composite subject property is unimproved. If subsequent information is obtained indicating that this Hypothetical Condition is incorrect, then this appraisal and any estimates of value may need to be qualified and/or amended.

Therefore, the existing improvements shall not be discussed in further detail within this appraisal report.

TITLE DATA

Fee Simple

Westholm & Associates was not provided with a title report as related to the subject property/properties.

Fee simple interest is assumed to be in the name of the following:

OWNER OF RECORD Parcel 859: Annapolis City Mayor and Aldermen
Parcel 62: City of Annapolis

Encumbrances

To the best of Westholm & Associates' knowledge, as of the date of value, the subject property is not encumbered by any long-term contract leases.

Listings/Contracts of Sale

To the best of our knowledge, Westholm & Associates is unaware of any existing listings (for sale or lease) nor any signed contracts of sale which involves the subject property as of the effective date of this appraisal report.

ASSESSMENTS AND TAXES

All tax assessments are established by the State Department of Assessments and Taxation (SDAT) with tax rates set by the individual jurisdictions. Assessments for the 2017-2018 tax year are based on 100% of full cash value and all properties within the county are reassessed once every three years. The real property tax rate is; \$0.544 per \$100.00 of assessed valuation (county), \$0.649 per \$100.00 of assessed valuation (city), and \$0.112 per \$100.00 of assessed valuation (state), for a total tax rate of \$1.305 per \$100.00 of assessed value.

The subject lot is assessed on the Anne Arundel County tax rolls for the 2018 and 2017-18 fiscal years as follows.

Parcel No. 859: Account Number: 06-000-0140408

		As Of 01/01/2018	As Of 07/01/2017	As Of 07/01/2018
<u>Land</u>	\$13,000,000	\$14,500,000		
<u>Improvements:</u>	\$1,170,500	\$1,197,300		
<u>Total:</u>	\$14,170,500	\$15,697,300	\$14,170,500	\$14,679,433
<u>Preferential Land:</u>	0			

Being owned by "government", this subject property is tax exempt.

Comments:

It is noted that SDAT indicates this parcel to be 15 acres in area. Furthermore, some tax maps show the western parcel of Parcel No. 859 under a different parcel number (358). There are no SDAT records which Westholm & Associates could find on this numbered parcel and it is assumed that the so-called Parcel No. 358 is actually part of Parcel No. 859.

Parcel No. 62: Account Number: 06-000-90091503

		As Of 01/01/2018	As Of 07/01/2017	As Of 07/01/2018
<u>Land</u>	\$389,400	\$548,700		
<u>Improvements:</u>	\$0	\$0		
<u>Total:</u>	\$389,400	\$548,700	\$389,400	\$442,500
<u>Preferential Land:</u>	0			

Being owned by "government", this subject property is tax exempt.

ZONING

The composite subject property is located in the City of Annapolis and, thus, is subject to the zoning regulations set by City of Annapolis, Maryland. The composite subject property is presently zoned under three different zoning categories/classifications, including:

- R1, Residential District,
- R2, Residential District
- R3, Residential District

Broken down as to location and approximate areas for each zoning classification, the following is shown:

E/s Spa Road	R-2	=	5.99 acres (+/-)
	R-3	=	2.25 acres (+/-)
W/s Spa Road	R-2	=	3.25 acres (+/-)
	R-1	=	0.48 acres (+/-)

The following is a brief discussion of each zoning district.

R-1 Zoning District:

The purpose of the R-1 Single Family Residence district is to provide for single-family detached dwellings at a density of approximately six units per acre and, as well, for uses considered compatible with single family neighborhoods within the City.

The uses permitted under this zoning classification include Cemeteries, Dwellings Single-family detached, Public schools and colleges, Museums/art galleries, Planned Development (residential and special mixed-permitted subject to standards), Religious institutions, and Temporary Uses (subject to standards).

Uses permitted by special exception include Colleges (private), Driveways/walkways/parking or access for uses located adjacent nonresidential district, Other government and government-related structures-facilities-uses, Hospitals/sanitariums (subject to standards), Inns (subject to standards), Institutions for care or treatment of alcoholics/drug addicts/and mentally ill, Institution for the care of the aged (subject to standards), Philanthropic/charitable institutions (subject to standards), Recreational/social clubs, Rest homes/nursing homes, Schools (private, elementary/middle/high), and Schools (vocational).

Uses permitted as accessory use include Accessory buildings and uses including sings, Day care (family and group/in conjunction with public school facilities), Garages/Carports, Greenhouses/Conservatories (private), Home Occupations, Mooring slips or docks (private), Telecommunications facilities, and Tool houses/sheds/similar buildings for the storage of domestic supplies and equipment.

Note: Note, some of the uses listed above are located in two different categories; either as accessory/special exception/or permitted uses, and then as subject to standards uses. For those uses listed in two categories, those particular uses most meet the regulations within both categories.

R-1 District: Bulk Regulations: for single-family detached dwellings area below.

Minimum Lot Dimensions:	
Area	7,000 square feet
Width	60 feet
Minimum Yard Dimensions:	

Front	25 feet
Side	8 feet
Corner	20 feet
Rear	30 feet
Maximum Height Coverage	2.5 stories, not to exceed 35 feet

Importantly, the minimum lot density allowed in the R1 zoning district is 7,000 square feet per lot. Additionally, the R1 zoning district does not have a maximum lot coverage generally, however certain uses (inns, planned developments) are subject to lot coverage review/controls.

Finally, for planned developments bulk regulations are determined through the planned development process, pursuant to Chapter 21.24 of the zoning ordinance

R-2 Zoning District:

The uses permitted under this zoning classification include Cemeteries, Dwellings Single-family detached, public schools and colleges, Museums/art galleries, Planned Development (residential and special mixed), Religious institutions, and Temporary Uses.

Uses permitted by special exception include Colleges (private), Driveways/walkways/parking or access for uses located adjacent nonresidential district, Other government and government-related structures-facilities-uses, Hospitals/sanitariums, Inns, Institutions for care or treatment of alcoholics/drug addicts/and mentally ill, Institution for the care of the aged, Philanthropic/charitable institutions, Recreational/social clubs, Rest homes/nursing homes, Schools (private, elementary/middle/high), and Schools (vocational).

Uses permitted subject to standards include Antennas and amateur radio stations, Day care (family and group/in conjunction with public school facilities), Home Occupations, Inns, Institution for the care of the aged, Mooring slips or docks (private), Philanthropic/charitable institutions, Planned Development (residential and special mixed), Telecommunications facilities, and Temporary Uses.

Uses permitted as accessory use include Accessory buildings and uses including sings, Day care (family and group/in conjunction with public school facilities), Garages/Carports, Greenhouses/Conservatories (private), Home Occupations, Mooring slips or docks (private), Telecommunications facilities, and Tool houses/sheds/similar buildings for the storage of domestic supplies and equipment.

Note, some of the uses listed above are located in two different categories; either as accessory/special exception/or permitted uses, and then as subject to standards uses. For those uses listed in two categories, those particular uses most meet the regulations within both categories.

R2 District: Bulk Regulations: for single-family detached dwellings.

Minimum Lot Dimensions:	
Area	5,400 square feet
Width	50 feet
Minimum Yard Dimensions:	
Front	25 feet
Side	6 feet
Corner	15 feet
Rear	30 feet
Maximum Height Coverage	2.5 stories, not to exceed 35 feet

Importantly, the minimum lot density allowed in the R2 zoning district is 5,400 square feet per lot. Additionally, R2 zoning district does not have a maximum lot coverage, only that the improvements do not violate the minimum lot dimensions and yard dimensions. Notwithstanding the fact that the subject property, Parcel No. 2373, is already improved with a single-family dwelling, the subject property is capable of having five buildable lots, including accessibility (via a shared right-of-way easement) for all buildable lots.

Importantly, for planned developments bulk regulations are determined through the planned development process, pursuant to Chapter 21.24 of the zoning ordinance

R-3 Zoning District:

The purpose of the R-3 General Residence district is to provide for single-family and two family detached dwelling at up to eight dwellings units per acres and for o uses considered compatible with neighborhoods with single family attached and multi-family dwelling units within the City.

The uses permitted under this zoning classification include Cemeteries, single family detached dwellings, two-family attached dwellings, Public schools and colleges, Museums/art galleries, Planned Development (residential and special mixed-permitted subject to standards), Religious institutions, and Temporary Uses (subject to standards).

Uses permitted by special exception include multi-family dwellings, colleges (private), driveways/walkways/parking or access for uses located adjacent nonresidential district, other government and government-related structures-facilities-uses, Hospitals/sanitariums (subject to standards), inns (subject to standards), Institutions for care or treatment of alcoholics/drug addicts/and mentally ill, Institution for the care of the aged (subject to standards), Philanthropic/charitable institutions (subject to standards), Recreational/social clubs, rest homes/nursing homes, schools (private, elementary/middle/high), and Schools (vocational).

Uses permitted as accessory use include accessory buildings and uses including sings, Day care (family and group/in conjunction with public school facilities), Garages/Carports, Greenhouses/Conservatories (private), Home Occupations, Mooring

slips or docks (private), Telecommunications facilities, and Tool houses/sheds/similar buildings for the storage of domestic supplies and equipment.

Note: Note, some of the uses listed above are located in two different categories; either as accessory/special exception/or permitted uses, and then as subject to standards uses. For those uses listed in two categories, those particular uses most meet the regulations within both categories.

R-3 District: Bulk Regulations: for single-family detached/attached dwellings area below.

Minimum Lot Dimensions:	
Area	3,600 square feet (multi-family, single family attached) 5,400 square feet (single family detached) 7,200 square feet (two-family attached)
Width	50 feet (multi-family, single family attached, two-family attached)
Minimum Yard Dimensions:	
Front	20 feet (multi-family, single family attached) 25 feet (single family detached, two family attached)
Side	5 feet
Corner	15 feet
Rear	30 feet
Maximum Height Coverage	3.5 stories, not to exceed 35' (multi family, single family attached) 2.5 stories, not to exceed 35' (single family detached, two-family attached)

Importantly, for planned developments bulk regulations are determined through the planned development process, pursuant to Chapter 21.24 of the zoning ordinance.

Planned Developments:

Of particular interest to the subject property is the ability to be developed as a planned development. Per the City zoning ordinance, the purpose of planned developments is:

- to allow greater flexibility in order to encourage more creative design for the development of land than is generally possible under conventional zoning district regulations.
- To promote orderly and thorough planning and review procedures that will result in quality design and counteract the negative effects of monotonous design.
- To allow the grouping of buildings and a mix of land uses with an integrated design and a coordinated physical plan.

- To promote development in a manner that protects significant natural resources and integrates natural open spaces into the design of a development project.
- To encourage a design that takes into account the natural characteristics of the site in the placement of structures.
- To promote development that is consistent with the goals of the Comprehensive Plan.

There are three types of planned developments, including: residential planned developments, business planned developments, and special mixed planned developments. Approval of a proposed planned development is by the City of Annapolis Planning Commission. In the subject case, due to other factors which take into consideration the subject neighborhood and market conditions, the most likely type of planned development would be for either a Residential Planned Development or for a Special Mixed Planned Development (this applicable to both the Western and Eastern subject parcels as combined)

For a Residential Planned Development, the use regulations state that, except for uses specifically prohibited by the Zoning Code in the district that is the subject of the application, a residential planned development may consist of the following uses:

Uses that are allowed as permitted uses, uses subject to standards or special exception uses in any residential district, which uses are allowed as permitted uses if included within and approved as part of a residential planned development.

Up to 10% of the ground area or gross floor area of a residential planned development may consist of uses that are allowed as permitted uses or as uses subject to standards in the B1 District.

Of note is that no more than 30% of the ground area or of the gross floor area of the development may be devoted to planned development uses.

For a Special Mixed Planned Development, a planned development may consist of the following uses:

Except for uses specifically prohibited by the Zoning Code in the district that is the subject of the application, a special mixed planned development may consist of all uses allowed as a permitted use, use subject to standards, or as a special exception in any zoning district, which uses are allowed as permitted uses if included within and approved as part of a special mixed planned development.

Of note is that no more than 30% of the ground area or of the gross floor area of the development may be devoted to planned development uses.

Based upon the above, it is our opinion that the composite property, whether in part or in whole, could reasonably be developed at a special mixed planned development. By doing so, residential uses not specifically permitted in the R-2 classification but permitted in

the R-3 zoning classification could be made consistent with each other; most particularly for development of townhomes (residential attached units).

Furthermore, taking into consideration the overall subject land, on a preliminary basis it is our conclusion that, if developed as a Special Mixed Planned Development, taking into consideration:

- Current City of Annapolis zoning
- Current Critical Area zoning
- Topographical features
- Uses permitted as planned developments
- Consideration of the requirement for having Moderately Priced Dwelling Units (MPDU's)
- Consideration of bonus development potential by having MPDU's

that, on a preliminary basis and subject to civil engineering analysis, it is reasonable to project that a total of between 60-62 to 70 (say 66) townhouses could be developed on the composite subject property via planned development approval. Broken down to each side of Spa Road, for valuation purposes Westholm & Associates is estimating that, out of 66 townhouse units, more or less, 55 are on the east side of Spa Road and 11 units are on the west side of Spa Road.

The above uses would be legally permissible on the composite subject property.

Note:

It is noted that, if the composite subject property were to be developed as a special mixed development, it is our opinion that the subject Western Parcel would be the location of commercial use/uses. Furthermore, it is our opinion that the easterly portion of subject Eastern Parcel would be assigned for non-profit recreational use (possibly leased to either a non-profit or, alternatively, to "government") for recreational purposes.

Chesapeake Bay Critical Area (City Zoning Overlay)

Per the Maryland Department of Natural Resources/Critical Area Commission all land within the Critical Area, except for land owned by the federal government, is assigned one of three land classifications based on the predominant land use and the intensity of development at the time it was mapped. The classification system allows jurisdictions to use local zoning to effectively implement Critical Area programs through land use and development regulations and performance standards. Per the Critical Area Commission, the use of land classifications:

- promotes the location of new growth and development near or within existing developed areas;
- provides for infill development of similar uses and intensity; and

- facilitates the designation of areas for natural resource conservation and related resource utilization activities, such as agriculture, forestry, and aquaculture. Each of the three land classifications includes use and intensity restrictions, as well as development performance standards for proposed development and redevelopment.

These provisions are used to ensure that land within the Critical Area is managed, used, and developed in a manner that will achieve the goals of the Critical Area Program. State and local Critical Area regulations specify that these techniques must be capable of reducing pollutant loads generated from a developed site to a level at least 10% below the loads generated at the same site prior to development. This requirement is commonly referred to as the "10% Rule". On some development sites, compliance with the 10% Rule may not be possible because of site constraints such as a high water table or poor soils. For these projects, local jurisdictions may allow alternatives to meeting the requirement on the project site. The alternatives include providing storm water treatment off-site, implementing an offset program by which equivalent water quality benefits are achieved off-site but within the jurisdiction, and the collection of fees-in-lieu. Fees-in-lieu can be collected from multiple projects and used to finance larger storm water retrofit projects.

The entire, composite subject property is within the Chesapeake Bay Critical Area (City Zoning Overlay) district. Per Westholm & Associates preliminary calculations, the following indicates how much of the subject property is in defined Critical Area zonings:

E/s Spa Road	LDA	=	5.99 acres (+/-)
	IDA	=	2.25 acres (+/-)
			Note: Nominal amount of RCA along southwesterly side property line of Parcel 859.
W/s Spa Road	IDA	=	2.44 acres (+/-)
	R-1	=	1.29 acres (+/-)

Note: due to there being only a "nominal" amount of land classified as being in the RCA zoning overlay district (and which is undevelopable), it is not discussed herein.

The purpose of the critical area overlay district is to foster more sensitive development activity for certain shoreline areas so as to minimize damage to water quality and natural habitats. This district is consistent with and supports the State critical area law and critical area criteria as well as the City of Annapolis Critical Area Program. There are three distinct zoning overlay classifications in the City, which are:

IDA- Intensely Developed Areas

Which are described as those areas where residential, commercial, institutional and/or industrial developed land uses predominate, and where relatively little natural habitat occurs.

LDA-Limited Development Areas

Which are described as those areas which are currently developed in low-intensity or moderate-intensity uses. They also contain areas of natural plant and animal habitats.

RCA- Resource Conservation Areas

Which are described as those areas which are characterized by nature-dominated environments (i.e., wetlands, natural drainage areas for wetlands, forests, developed woodlands).

Development requirements vary dependent upon the overlay zoning which a property has. Dependent upon the underlying zoning the percentage of manmade impervious surface permitted is variable. In the subject R-1, R-2 and R-3 zoning districts the maximum percentage of impervious surface coverage is limited to 50% of the land area.

The Sustainable Growth & Agricultural Preservation Act of 2012

The Maryland General Assembly approved the Sustainable Growth & Agricultural Preservation Act of 2012 (Senate Bill 236), also known as the "Septic Bill," during the 2012 General Assembly session.

The objective of this law, passed by the Maryland Senate, is to limit the effects of large subdivisions, which are served by individual septic systems, on farm and forestland, streams, rivers, and Chesapeake and coastal bays. It authorizes local jurisdictions to map a four-tier plan of growth applied to those areas that will be served by public sewer and those employing septic systems. This law, defining the four tiers of growth, will promote greater accountability and predictability of development. The City of Annapolis adopted Growth Tier map (2012) shows the composite subject property located within the Tier 1 area. The tier is defined as follows:

Tier I are areas that are served by public sewerage systems and mapped as locally designated growth areas or a municipal corporation that is served by public sewerage systems.

Major and minor subdivisions are permitted, all new subdivisions must connect to public sewer systems.

UTILITIES

All public utilities presently serve the subject property/properties.

PRESENT USE
(AS OF EFFECTIVE DATE OF VALUE)

For several decades both the subject land to the east of Spa Road and the land to the west of Spa Road (including portions of Parcel 62) have been used as a major maintenance facility for the City Department of Public Works. Uses included maintaining City vehicles, a fueling station for vehicles, and storage space for an assortment of City supplies (salt dome, etc.), and parking facilities for City owned vehicles. In addition, over four acres of the easterly subject parcel has been used for recreational activities, including having a soccer type field (which has been used for several athletic purposes beyond soccer) which has a support building for concessions. Finally, in the most eastern extreme of the easterly subject parcel, closest to Spa Creek, is an area which has been used for outdoor storage over the years.

However, as of the date of inspection, almost all of the maintenance facility buildings located on the easterly subject parcel had been demolished/razed and most of the remaining building debris had been removed. As of the date of inspection the only remaining building/use improvements remaining included the "fueling station", the concession stand building near the athletic field, and the athletic field itself. Conversely, as of the date of inspection almost all of the building and yard improvements located on the westerly parcel (west of Spa Road) remained.

As such, the subject property is currently used for government uses and/or for recreational purposes. These uses are legally permitted and in conformance with current zoning regulations.

HIGHEST AND BEST USE

Note: This appraisal report is subject to the following hypothetical condition.

- As of the effective date of this appraisal report, the composite subject property had substantial building and site improvements, including a "service station" (gas pumping stations and in-ground fuel tanks, a single story, masonry construction, concession stand (1,840 gross square feet, more or less) building, a single story, masonry construction, vehicle maintenance shop (6,000 gross square feet, more or less in building area; a 3,000 gross square foot, more or less, "sand" dome (storage of materials), approximately 1,000' of chain link and/or wood fencing, approximately 43,100 square feet of macadam surface parking area, and approximately 7,000 square feet of mixed gravel parking surface area. For purposes of this appraisal report, it is a hypothetical condition that the composite subject property is unimproved. If subsequent information is obtained indicating that

this Hypothetical Condition is incorrect, then this appraisal and any estimates of value may need to be qualified and/or amended.

Therefore, the subject is considered as an unimproved property for purposes of highest and best use and in the valuation of the subject property. Due to the hypothetical condition, an analysis of highest and best use "as improved" shall not be included within this appraisal report.

Subject to the above,

Highest and best use is defined in *The Dictionary of Real Estate Appraisal*, (Fourth Edition, page 135) as:

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 productivity.

The analysis of the highest and best use of a property is the most important part of the appraisal process, for it is in terms of highest and best use that market value is estimated. This study and selection of highest and best use is based upon available data relative to what uses are legal, possible, appropriate and feasible for the subject property.

The subject property is located on both the easterly and westerly sides of Spa Road, (within the City of) Annapolis. Spa Road, one of the most important local arterial roadways within the City, is a single lane roadway throughout much of its overall length within the City (Spa Road actually continues in a southerly direction out of the City). Locationally, the subject property is estimated to be approximately 0.4 miles southwest of the intersection of Spa Road and Westgate Circle, approximately 0.4 miles north of the Spa Road/Hilltop Lane signalized intersection and approximately 0.6 miles north of the Spa Road/Forest Drive signalized intersection. Thus, the subject property's accessibility to the regional highway system is excellent, making for good commuting conditions to major areas of employment.

The subject consists of two, contiguous, tax parcels and is estimated to be approximately 11.97 acres in size. The overall subject site is, per the hypothetical condition as contained within this appraisal report, to be unimproved.

Therefore, the following analysis of the highest and best use of the subject, as vacant, is presented.

HIGHEST AND BEST USE, AS VACANT:

The highest and best use of the subject site, as unimproved, is selected from those uses that are physically possible, legally permissible and financially feasible and that provide the greatest return to the land.

Physically Possible

The subject property consists of two, contiguous, parcels of land that, per a combination of SDAT information and plan sheets/surveys reviewed, contains an area of approximately 11.97 acres. The overall subject property is bisected by a public road (Spa Road); thus approximately 8.24 acres is located to the east of Spa Road (referred to within this appraisal report as the "East Parcel" or "Eastern Parcel") while approximately 3.73 acres is located to the west of Spa Road (referred to within this appraisal report as the "West Parcel" or the "Western Parcel"). The shape and size of the site should not limit the possible development; however, the subject Western Parcel is adversely affected by having significant topographic and lowland conditions affecting over 60% of the land area in this parcel and which, essentially, is undevelopable. Thus, on the western parcel, due to aforesaid adverse conditions, the steeper slopes and lowland conditions would dictate where development can take place on the western parcel.

The subject has accessibility to public sewer and public water. Outside of the areas on the western parcel adversely affected by slopes and lowland conditions, the dominant soil classifications should not present any significant difficulties with development of the site (this is supported by the already existing development on similar soils nearby). It is reasonably assumed that the subject site could support independent structures.

The subject property parcels are currently accessed from Spa Road; with moderate to low traffic passing the subject during non-rush hour periods. However, during weekday rush hour periods and during "Stadium" events (the Naval Academy's football stadium is located approximately one mile distant, via roadways, from the subject property) traffic volume sometimes is very heavy (this should not be a significant impediment to the use and enjoyment of the subject property were it developed for residential purposes. Therefore, ease of access to/from the roadway onto the subject is considered reasonable. A number of uses are physically possible on the subject site.

Thus, physical development of the subject property consistent with its highest and best use is physically possible.

Legally Permissible

The subject site is subject to three City of Annapolis zoning classifications; R-1, R-2 and R-3 which, between the zonings allow for a range of residential development, from low-density suburban single-family detached residential development to, in our opinion, townhouse development. The zoning classification allows for a number of permitted residential uses and limited conditional uses, specifically all uses are a variation of single-family dwellings detached, attached, as townhomes (townhouses), and as a planned development. Other uses allowed as permitted uses or by special exception which the subject would reasonably be used for include schools, religious facilities, community recreation centers, etc. Broken down as to location and approximate areas for each zoning classification, the following is shown:

E/s Spa Road	R-2	=	5.99 acres (+/-)
	R-3	=	2.25 acres (+/-)
W/s Spa Road	R-2	=	3.25 acres (+/-)
	R-1	=	0.48 acres (+/-)

Comment: While the Western Parcel is approximately 3.73 acres in land area, due to a combination of steep topographical features and lowland areas being undevelopable, there is only an estimated 1.4 acres, more or less, of reasonably developable land (see subject description). All of the reasonably developable land is zoned R-2.

Based upon the above, it is reasonable to state that it is highly unlikely that the portion of the composite subject property zoned R-1 can be developed. As such, within this highest and best use analysis the use of subject land zoned R-1 shall not be further discussed with significant detail.

In reviewing the Zoning Ordinance it is recognized that there are several permitted uses within the R-2 and R-3 zoning classifications which are compatible with each other. Thus, with the zonings being compatible for development and it being logical to the market/marketplace to develop the subject parcels jointly, the factor of legally permissible is relevant to uses which take into consideration their similarities and dissimilarities.

First, permitted uses and special exception use which the zonings have in common cover a wide cross section, including single family detached dwellings, public schools and colleges, Planned Development (residential and special mixed), hospitals, inns, and such uses as private schools. Of the uses which the two zoning classifications have in common and is the one which the market/marketplace would most likely want to develop on the subject property would be for a planned development (special mixed). As is analyzed on a preliminary basis within the section of this appraisal report entitled "zoning", Westholm & Associates, it is reasonable to project that a total of between 60-62 to 70 (say 66) townhouses could be developed on the composite subject property via planned development approval. Broken down to each side of Spa Road, for valuation purposes Westholm & Associates is estimating that, out of 66 townhouse units, more or less, 55 are on the east side of Spa Road and 11 units are on the west side of Spa Road.

While broken down into 66 potential townhouse-residential lots/units, more or less, it is also recognized that by developing the overall site as a special mixed planned development, there would be a commercial component. As such, it is recognized that one could develop buildings for retail-commercial use as part of the planned development. In as much as it is our opinion that being at the subject location on Spa Road, it is most likely that any commercial use would be more destination use oriented and, furthermore, there are no actual plans/sketch plans, etc., which show the location of the retail commercial use, it is recognized that said use, in combination with residential use, would be legally permissible on the composite subject property.

Financial Feasibility

As discussed earlier in this appraisal report, under the section heading "Neighborhood Description," the residential market history and current condition of the market (as of the effective date) have already been explained. To summarize, over the course of the past 30+ years or so, the "very local" real estate market experienced a turn to development of townhome/townhouse residential subdivisions which have proven to be extremely well accepted in the market/marketplace. To reiterate, historically, the two major townhouse subdivisions located along the Spa Road "corridor" have been the Spindrift townhouse subdivision (located approximately 900' south of the subject property) and The Gentry townhouse subdivision (located approximately 1,500' south of the subject property). The following is a brief, outline, description of both projects:

Spindrift: This townhouse subdivision was developed in the early 1980's. There are 23, 3-story tall, townhouse units, each with garages, and typically 23' (+/-) in unit width and varying in size from approximately 2,000 gsf to 2,500 gsf. Recent transactions indicate individual units have market values in the \$300,000 to \$340,000 range, more or less. The sale prices indicate sale price rates ranging from approximately \$115.00 to approximately \$145.00 per gross square foot of building area, including supporting land for townhouse units which are approximately 35 years old, more or less, and have interiors which are typically "dated".

The Gentry: This townhouse subdivision was developed in the late 1970's. There are an estimated 77, 2-story tall, townhouse units, none of which have garages, and typically 20' (+/-) in unit width and varying in size from approximately 1,020 gsf to 1,119 gsf. Recent transactions indicate individual units have market values in the \$250,000 to \$280,000 range, more or less. The sale prices indicate sale price rates ranging from approximately \$167.00 to approximately \$190.00 per gross square foot of building area, including supporting land for townhouse units which are approximately 38 to 40 years old, more or less, and have interiors which are, like Spindrift, typically "dated".

More recently, in the 2013-2015 time frame, at the street entrance from Spa Road into Maryland Hall (approximately 1,350', more or less, northeast of the subject—toward Westgate Circle), the Carraway Lane townhouse subdivision was developed. The following is a brief, outline, description of Carraway Lane.

Carraway Lane: This townhouse subdivision was developed in the 2013-2015 time frame.. There are 19, 2 ½ -story tall, townhouse units, none of which have garages (each does have individual parking pads adjacent to their unit), and typically 22' (+/-) in unit width and varying in size from approximately 2,090 gsf to over 2,500 gsf. Recent transactions indicate individual units have market values in the \$500,000 to \$540,000 range, more or less. The sale prices indicate sale price rates ranging from approximately \$235.00 to approximately \$245.00 per gross square foot of building area, including supporting land for townhouse units which are approximately 3 to 4

years old, more or less. Due to being relatively new, all are considered modern and to have "up to date" interiors.

Currently, another major townhouse subdivision project is being developed. Known as the Enclave At Spa, this project is approximately 1,100' south of the subject property (in fact, this property is immediately between, and borders upon, both the Spindrift and The Gentry townhouse subdivisions: The following is a brief, outline, description, of the Enclave At Spa:

Enclave At Spa: This is a 36 lot townhouse subdivision currently being developed on the former Annapolis Radiator shop property. The typical townhomes being constructed are 3 stories in height, 24' wide, vary from 2,387 gross square feet to 2,798 gross square feet in building area, have 3 bedrooms, 2.5 baths, and attached two-car garages. Asking prices vary from \$496,990.00 to \$565,639.00, plus add-ons which can increase the price significantly. As of the effective date of this appraisal report it is understood that eleven (11) units have been sold, three (30 are under contract, and seven (7) are available. Thus, another 15 units remain to be constructed. Based upon list prices, the indicated rates per square foot vary from approximately \$205.00 to \$210.00 per gross square foot of unit area, which is the "base price".

In the future, and at the extreme northerly end of the Spa Road "corridor" (at Westgate Circle), Buzzoto Homes is in the planning stages to develop 18 luxury townhouses at 285 West Street. It is understood that the townhouse units at 285 West Street shall be 4 stories tall, and all shall have elevators, and shall sell in the \$700,000.00 "plus" range.

This trend is reasonably expected to continue into the foreseeable future.

In addition to the residential use component, it also recognized that in developing the composite subject property as a special mixed planned development there would be a retail-commercial component. In our opinion, taking into consideration the locational characteristics of the composite subject property, it is most likely that when developed it is most likely that any commercial use would be more destination use oriented.

After reviewing the permitted uses as per zoning regulations, historic and current development in the localized market/marketplace, it is our opinion that there is one financially feasible use for the subject property, to subdivide and develop "ready-to-build" townhouse residential lots for subsequent sale and development and, in conjunction with development of the residential component, develop a portion of the overall, composite, subject property for retail-commercial uses as market demand dictates.

Conclusion: Highest and Best Use, As Vacant

Therefore, as vacant it is our opinion that the highest and best use of the subject property is for development of a special mixed planned development, to develop "ready-to-build"

townhouse residential lots for subsequent sale and development and, as well, , develop a portion of the overall, composite, subject property for retail-commercial uses as market demand dictates.

This combined use is consistent with, and permitted by, zoning on the composite subject property. As stated, on a preliminary basis, subject to civil engineering to further refine the reasonable and/or maximum number of lots which the subject property, as is, could be subdivided into would be between 60-62 to 70 townhouse lots (for purposes of valuation, the midpoint, i.e., 66 lots. As for the commercial component, it is our opinion that retail-commercial development would occur in conjunction with market demand for commercial use/uses on the Spa Road corridor.

This use is legal, is physically possible, economically feasible, and provides the greatest return to the land.

Comment:

In addition to the uses indicated above, it is noted that, if the composite subject property were to be developed as a special mixed development, it is our opinion that the easterly portion of subject Eastern Parcel would be assigned for non-profit recreational use (possibly leased to either a non-profit or, alternatively, to "government") for recreational purposes.

APPROACH TO VALUE

There are three approaches to value commonly used in the appraisal of real estate, the cost approach, the sales comparison approach, and the income capitalization approach.

Under the cost approach, the land is valued as if vacant and available for development to its highest and best use. The replacement cost new of the improvements is then estimated and depreciated for physical wear and tear, functional (design) deficiencies, and external (locational) problems, if any. The sum of the depreciated replacement cost of the improvements and the land value is the estimated property value by the cost approach.

Under the sales comparison approach several recent sales of similar properties are compared to the subject and adjusted for differences. Collectively, the adjusted comparable sales reflect the current market for the subject property. This approach is also used to estimate the raw land value under the cost approach.

The income capitalization approach involves an analysis of the income producing capability of the property under consideration. After deduction of expenses, the projected annual net income is converted into a present day value by means of a capitalization process.

In addition, the subdivision development method is an appropriate valuation technique when subdivision and development represent the highest and best use of a parcel of land. This method is a variant of the standard income capitalization approach that also incorporates elements of the sales comparison approach and the cost approach. This is an excellent method of valuing real estate such as the subject when the highest and best use is for subdividing the property. In the subdivision development method, the potential sales price of the individual lots (assuming the property has been subdivided and infrastructure installed) is estimated by comparison with similar properties that recently sold in the area. The resultant values are then utilized in a cash flow analysis and discounted for the estimated time and cost to develop the subdivision to achieve a complete sellout of the project, including all costs of development, plus allowances for management, real estate taxes, sales expenses, developer's profit, administrative and overhead costs, miscellaneous or contingency expenses, the cost of money over the holding period, and the intrinsic risk associated with developing a project of this nature. There are many variations of this approach, but all roughly follow the same guidelines.

Market Value, As Is

The market value of the subject property, "as is," shall be valued by the (unimproved) Sales Comparison Approach only. Due to lack of existing contributory improvements (due to both the hypothetical condition as contained within this appraisal report and, as well, any existing improvements would have no contributory value to the highest and best use of the subject property,, the cost approach shall not be used. Due to lack of civil engineering information, including a professional calculation has to number of lots and infrastructure cost, the Income Approach shall not be used to estimate the market value, as is, of the composite subject property.

Note:

Due to it being our opinion that the easterly portion of the subject Eastern Parcel being used for a non-profit use/uses (recreational purposes), whether used by the future residents of development on the subject site or, alternatively (and most probable), assigned for non-profit recreational use (possibly leased to either a non-profit or, alternatively, to "government" for recreational purposes, this land area is not directly valued within the valuation of the overall subject property. Instead, its contribution to the overall value of the subject property, as is, is inherently considered in the valuation of the subject property by the sales comparison approach.

MARKET CONDITION ADJUSTMENT(S)

In the sales comparison valuation section as contained within this appraisal report, both commercial and residential conditions are discussed. While the subject property is not directly considered a commercial property, the probable purchaser would be considering the quality, quantity, and time requirements as involved; thus commercial market conditions are discussed herein. The following describes the basis for said adjustment.

Market Condition Adjustment based Commercial Market Conditions

This line item takes into consideration the changes in the market conditions over time from the time of sale of the comparable to the effective date of this appraisal report.

The market conditions or date of sale adjustment reflects changes in the prices paid for real estate because of the changes in the market over time. In the valuation of the subject and, in fact, for all the comparable properties as well, adjustments for changes in market conditions over time are critical elements requiring careful analysis to determine the appropriate adjustments.

Due to the volatility of market sales/re-sales occurring (or not occurring) in the Baltimore or Washington metropolitan area markets, Westholm & Associates reviewed the Moody's/RCA CPPI National All Properties Composite Index in order to conclude to adjustments for market conditions. The index is a periodic same-property round-trip investment price-change index of the US commercial investment property market based on data from MIT Center for Real Estate (MIT/CRE) and its industry partner Real Capital Analytics, Inc (RCA). Moody's CPPI Indices are owned by RCA and provide the only investable, transaction-based, commercial real estate benchmarks available in the United States showing value changes over time.

MIT/CRE developed the initial methodology for index construction through a project undertaken in cooperation with a consortium of firms including RCA and Real Estate Analytics, LLC (REAL). The Moody's/REAL CPPI index tracked same-property realized round-trip price changes based purely on the documented prices in completed, contemporary property transactions. The methodology employed to construct the index was a repeat-sales regression (RSR) method.

The set of indices developed included a monthly national all-property index; quarterly national indices for each of the four major property type sectors (office, apartment, industrial, and retail), selected annual indices for specific property sectors in specific metropolitan areas, and quarterly indices the major property types for the primary markets in the top 10 metropolitan areas.

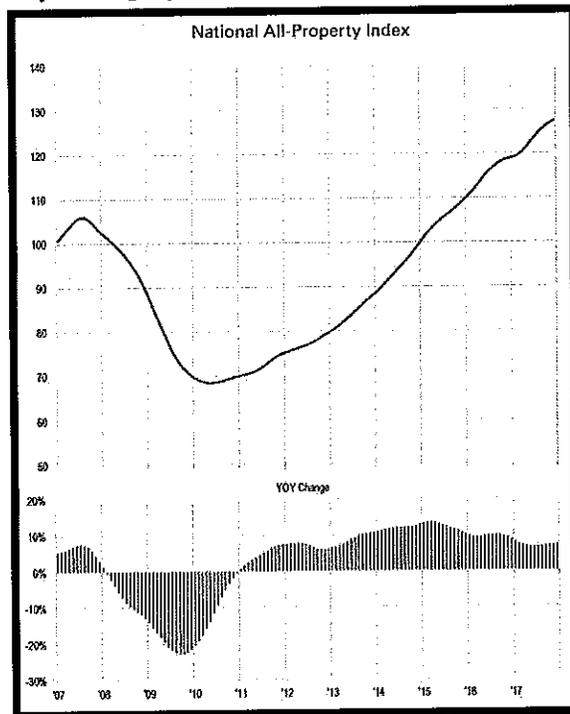
The indices were produced in four versions, beginning in January, April, July, and October of each year. The commercial property index was based on a database that attempted to collect, on a timely basis, price information for every commercial property transaction in the US priced over \$2,500,000. It represented one of the most extensive and

intensively documented national databases of commercial property prices ever developed in the United States. Moody's terminated publication of its Moody's/REAL CPPI index in February 2012.

On May 24, 2012, Moody's began publishing the Moody's/RCA Commercial Property Price Indices (CPPI). This CPPI use advanced repeat-sale regression (RSR) analytics to measure price changes in US commercial real estate. It uses transaction data from Real Capital Analytics (RCA) and a methodology developed by a team headed by MIT Professor David Geltner working in conjunction with Moody's and RCA.

Beginning in 2007, Moody's published the first RSR index for commercial real estate, the Moody's/REAL CPPI, which was designed for derivatives trading. Derivatives trading failed to develop, and REAL discontinued the series in 2011. Moody's has enhanced the methodology for the Moody's/RCA CPPI and made important advances allowing for greater accuracy and transparency. It also has a long-term agreement in place to publish it.¹

The following chart shows the National All-Property Index from 2007 to present day. Notably, the general market trends for approximately the last 6 years have steadily risen, while maintaining a steady change year over year.



Reviewing the above data, it is reasonable to conclude that the impact of the most recent recessionary period to all marketplaces (residential, commercial, office, retail, etc.....)

¹ Information and descriptions of the improvements contained in the Moody's/RCA Commercial Property Price Indices (CPPI) are contained in Moody's RCA CPPI Release Paper, dated May 15, 2012, and available at www.moody.com.

commenced at the end of 2007/early 2008, when literally, all individual markets experience significant value depreciation nationwide. Furthermore, the aforesaid generalized value depreciation continued until late 2009/early 2010, when value stabilization occurred.

Westholm & Associates recognizes the importance of the general information above, yet also recognizes that recent resale's may have been influenced by other than market factors (overly motivated sellers being just one example). Other facts/factors of major consideration which have contributed to the significant value appreciation during the past few years include:

- Albeit slow, a general recovery of the national economy;
- A long period of where the "Fed" has held interest rates low, thus affecting lending rates to, and by, financial institutions. Below is shown the year to year history of the Prime Rate from January 2009 to January 2018, as well noting the increase from year to year.

Effective Date	Prime Rate	Year to Year Change
Jan – 2009	3.25%	N/A
Jan – 2010	3.25%	0.00%
Jan – 2011	3.25%	0.00%
Jan – 2012	3.25%	0.00%
Jan – 2013	3.25%	0.00%
Jan – 2014	3.25%	0.00%
Jan – 2015	3.25%	0.00%
Jan – 2016	3.50%	+0.25%
Jan – 2017	3.75%	+0.25%
Jan – 2018	4.50%	+0.75%

- As a result of above reduction in interest rates, commercial mortgage interest rates have been reduced for a lengthy period;
- Market participants have come to prioritize cash flow(s) went considering the purchase of commercial property. The statement "cash is king" has never been as important as it has been subsequent to 2007.

Combining the above facts and factors together has resulted in the market/marketplace seeing lower and lower Overall Capitalization Rates (OAR's) yet (outside of the apartment market), commercial rents have only gradually (2% to 3% in general) increased per annum over the 2010-2017-time period. Similarly, due to the economic conditions, expenses have been held to, in general, a similar rate of increase over the same time period. In aggregate, the combination of slow increases in net operating income (NOI), yet much lower Overall Capitalization Rates (OAR's) has, of its own, played a significant part in creating the value appreciation demonstrated in the Moody's data.

Presented as a simplistic example, imagine a relatively new apartment complex property at market level/stabilized rents and occupancy in 2010 having a net operating

income of \$1,000,000.00 while the market supportable (supported by apartment complex property sales in the 2010 timeframe) OAR was approximately 7.75%. Now, imagine the same apartment complex property, assuming relatively new, in year 2017 having the very same net operating income, being in similar physical condition, while in 2017 the market supportable (again, supportable by sales of apartment complex properties in the 2016-2017 timeframe) Overall Capitalization Rate is 5.5%. The impact to market value, as supported by the market/marketplace would be:

NOI divided by OAR	=	Market Value
<u>2010</u>		
\$1,000,000.00 divided by 0.0775	=	\$12,903,225.81
	Rounded to =	\$12,900,000.00
Versus		
<u>2017</u>		
\$1,000,000.00 divided by 0.055	=	\$18,181,818.18
	Rounded to =	\$18,200,000.00

The above demonstrates a value appreciation of 41% due solely to the market demand for what is perceived as property having lower risk, supported by lower interest rates occurring at the same time. Interesting, and once these factors “turn,” and higher Overall Capitalization Rates return, then property values would level off, if not drop.

The above facts, factors, and observations are given consideration when selecting market conditions adjustments for the comparable sales. Westholm & Associates recognizes the importance of the general information above yet, also, recognizes that the subject’s regional market has several positive facts/factors which have helped significantly reduce the overall value depreciation, including the ongoing job and population growth in the Fort Meade environs and surrounding areas. Anne Arundel County is “protected” to a major degree by the sheer amount of federal employment both within the county and in nearby areas (especially being so close to the Washington, D.C. metropolitan region).

The impacts within the commercial/office marketplaces carries through to all other local real estate markets, including the residential market. Since the value depreciation was lower than most other places, it must be recognized that subsequent value appreciation has not been as great. Consideration for this is given when selecting adjustments made to the comparable sales for market conditions.

The oldest sale used for direct comparison to the subject occurred in May 2014, approximately four years before the effective date of this appraisal report, while the most

recent sale used for direct comparison to the subject August 2017. All of the comparable sales are adjusted for changing market conditions.

Considering that the subject site is being valued as unimproved, the per annum adjustment based upon commercial data would be at a rate of 3% per annum, straight-line, in spite of the national trends, and is considered reasonable due to the transitional nature of the subject's competitive market/marketplace, and its immediate and nearby competitive market.

Market Condition Adjusted based upon Residential Market Conditions

The market has fluctuated over the past few years; however, general property values have been near level. There are some signs that the interplay of market demand versus supply are having a positive effect upon value (thus, value appreciation). Additionally, there is evidence (market supported, including for home sales as shown by MRIS that "days on the market" is getting shorter and shorter) that the residential market for new homes in Anne Arundel County is rebounding.

As already discussed within this appraisal, market conditions have gone through a significant change over the past several years. The following table shows the year-over-year countywide sales volumes for Anne Arundel County for the January (monthly) time periods 2015 to 2018. The following data information obtained is from the Metropolitan Regional Information System (MRIS) for the past 4 +/- years (MRIS is the multiple list system utilized by most real estate agents and brokers in the Baltimore-Washington Metropolitan Area). The sales volume data considered both detached homes and attached homes. The vast majority of these sales are "existing" homes and exclude most new home communities, which are typically marketed in-house by builders. However, to the extent that smaller builders often utilize the services of local real estate agents, these figures do include a limited amount of new-home sales. Notably, the "days on the market" data is based upon all reported residential sales.

Anne Arundel County Sales				
	Jan-18	Jan-17	Jan-16	Jan-15
Sold Dollar Volume	\$168,329,159	\$183,088,269	\$160,743,811	\$126,499,995
Median Sold Price	\$325,000	\$372,131	\$349,443	\$348,485
Units Sold	443	492	460	363
Ave. Days on Market	80	83	100	98
Attached Avg. Sold	\$298,612	\$269,523	\$266,178	\$244,563
Attached Units Sold	164	165	169	120
Detached Avg. Sold	\$427,802	\$423,905	\$397,800	\$399,804
Detached Units Sold	279	327	291	243

Of importance is to review the changes from January 2015 to January 2018. The following is shown:

From January 2015 to January 2018 Changes

Sold Dollar Volume	24.85%
Median Sold Price	-7.23%
Units Sold	18.06%
Ave. Days on Market	-22.50%
Attached Avg. Sold Price	18.10%
Attached Units Sold	26.83%
Detached Avg. Sold Price	6.54%
Detached Units Sold	12.90%

Year-over-year comparisons provide a reliable comparison for volume statistics due to seasonality. Since January 2015, sales volumes have generally increased, approximately 25% from January 2015 to January 2018. In addition to more units being sold, the days-on-market data (a measure of the length of time a property is marketed prior to receipt of a contract to purchase) have been declining, per annum. The decrease in days on market is another indicator of the residential real estate market moving in a positive direction. For developers, increased number of units sold and the decrease of days on the market are attractive conditions for new development.

Based upon the above cited market information, the detached average sold price has increased slightly (approximately 6.5% from January 2015 to January 2018), compared to attached average sold price which has increased significantly during the same time period (approximately 18%). It is our opinion that within Anne Arundel County there has been significant growth/development for attached type dwellings (traditionally more affordable over detached dwellings). Per further review of market trend, this is reflective in the number of units sold data (attached dwellings outpacing detached dwellings) and the slight drop in median sold price.

Initially, when considering the base data provided above, the base numbers support a conservative value appreciation of, say, 2% 3% per annum. However, it is important to remember that:

- The subject property is market supportable for townhouses in the \$500,000, more or less, range,

Per the above analysis, it is the opinion of Westholm & Associates that it is reasonable to project a 3.0% per annum increase for the subject property based upon the residential market/marketplace.

Conclusion: Market Condition Adjustment

Based upon the preceding analyses of both the commercial and residential markets, a market condition adjustment of 3.0% per annum, straight line, is used when adjusting the comparable sales..

MARKET VALUE BY THE SALES COMPARISON APPROACH

The sales comparison approach is a method of comparing recent sales of similar properties to the subject for an indication of value. Often called the "market data approach," this method represents an interpretation of the reactions of typical purchasers in the market. Basic to this approach is the principle of substitution, implying that a prudent person will pay no more to buy a property than it will cost for a comparable substitute property.

Application involves a comparative analysis of the important attributes of the sale properties to those of the subject under the general divisions, location, physical characteristics, conditions of sale and the change in the market over time. Consideration of the dissimilarities in terms of their probable effect upon the sales price of the subject gives an indication of market value.

A thorough search for transfers of unimproved (or where, if improvements existed at time of sale, the improvements had no contributory value), townhouse development similar to the subject property was conducted throughout the competitive market. The following seven townhouse development sales were selected as the most comparable to the subject property, as is.

Comment:

It is noted that the highest and best use of the subject property, as is, is for future development as a special mixed planned development. As such, it is recognized that there would be a commercial component and, as cited, a recreational component. Both uses, and their value to the subject property, are inherently considered in the following valuation (note: in the case of the commercial component ability, an adjustment is made to the comparable sales for this fact/factor.

Unit of Comparison Selection:

In the appraisal of real estate, when comparable sales are being directly compared to the appraisal's "subject property," it is necessary to select the appropriate unit of comparison to be used in the analysis. Units of comparison are used in the sales comparison approach to aid/assist in the comparison of the subject and the comparable sale properties. Typically, after comparable sales data has been collected, each sales price should be stated in terms of the appropriate unit of comparison (illustrative examples for land being: per square foot, per acre, per site, per potential residential unit/lot, total property price). The appropriate unit of comparison can vary and is dependent upon the appraisal problem and the nature of the property.

After reviewing the comparable sales, taking into consideration other such factors as size of the properties and the highest and best use of the properties, then considering the subject also, it is my opinion that the best correlation of the data is in the "**rate per potential townhouse unit/lot**", considered the most appropriate/applicable to the subject valuation.

Thus, for purposes of this valuation analysis the subject property is considered to have the reasonable potential for 664 townhouse lots; to be used for direct comparison purposes to/with the comparable sales analyzed.

Adjustment Selection:

For making adjustments to comparable sales (when comparing said sales to the subject of the appraisal) two types of alternative adjustment methods can be used. One adjustment method/formula is the use of the "quantitative" adjustment. Quantitative adjustments are typically shown in percentages and/or in monetary amounts (examples being "plus 10%" or "plus \$10,000.00". The other method is the use of "qualitative" adjustments (see below for further description of this method). Qualitative adjustments are presented in the following manner and the adjustment(s) key is/are often (but not always) defined as:

<u>When</u>	<u>the sale attribute is</u>	<u>result/impact</u>
Equal	similar to the subject	no adjustment is warranted
Minus	superior to the subject	a downward adjustment is warranted
Plus	inferior to the subject	an upward adjustment is warranted

Note: The higher the number assigned to the adjustment the more significant the difference between the sale (from which the adjustment is made) and the subject.

In the subject case comparable sales shall be adjusted based using "quantitative" (not qualitative) adjustments.

As noted on the exhibit first, the unadjusted sales prices per unit are calculated. The sales are then adjusted for the characteristics that influence the purchase price, based on item by item comparisons to the subject. In reporting this process of making adjustments to the comparable sales, we describe the detail for which we are making an adjustment as it relates to the subject and again as it relates to the comparable. Then, based on the differences between the two, we assign the adjustment required to compensate the comparable for the advantages or disadvantages of the subject. The adjustment is clearly noted on the adjustment grid in a quantitative manner in accordance with the following discussion.

Adjustment for Property Rights Conveyed: A sale price is always predicated on the real property interest conveyed. The property rights conveyed for each comparable property are identified and the appropriate adjustment made.

Adjustment for Conditions of Sale: The process of verifying the details relating to each of the comparable sales includes an inquiry about the circumstances of the sale and the sale price. The objective is to determine whether the price paid for the comparable property satisfies the definition of Market Value presented earlier in this report. Key variables include the motivations of and the relationship between the buyer and seller, the period of time the property was exposed to a competitive and

open market, and any sales concessions or other undue stimulus that may have influenced the price. This adjustment is considered within the following adjustment factor (Adjustment for Financing).

Adjustment for Financing: The financing adjustment is made to compensate for special or creative financing that may have affected the normal consideration for the property. Those sales that have favorable financing such as low interest rates or owner financing at below-market rates require a downward adjustment. Alternatively, those sales that have above-market financing should be adjusted upward to reflect the additional costs associated with the sale.

Adjustment for Market Conditions/Time of Sale: The adjustment for market conditions at the time of sale refers to the typical economic conditions that surrounded the property at the time of contract. Because the dynamics of supply and demand create market cycles, our responsibility is to understand whether a comparable sale price was achieved during an upward, downward, or stable part of the cycle, and compare that to the supply and demand dynamics as of the effective date of this appraisal. For example, if there was a large supply of property for sale at the time the comparable sale contracted, then a positive adjustment might be needed to reflect the downward pricing trend as a result of the oversupply of product. Likewise, if there was a shortage of property in the market place at the time of sale, thereby driving the prices upward, a negative adjustment might be needed.

Adjustments for General Location: Locational adjustments embrace general neighborhood influences. In the subject case the subject is considered to be in an average location. This is considered when compared to the comparable sales herein and, when considered appropriate, an adjustment is made for this fact/factor.

Adjustments for Size: These relate to site size. The adjustment for size is typically included in real estate analysis, to recognize the fundamental tenet that the price per unit frequently varies depending on the number of units. Importantly, in the subject case we are comparing "number of townhouse units versus number of townhouse units", thus if a comparable sale has significantly more potential townhouse units the subject then an upward adjustment would be made; and vice versa.

Adjustments for Zoning/Utility of Use: In the search for comparable sales concentration was placed upon selecting sales which were subsequently to be developed with townhouses; a use consistent with the highest and best use for the typical subject lot. As such no adjustment has been made for this fact/factor.

Adjustments for Frontage/Access: this adjustment factor takes into consideration the ease of accessibility to/from a comparable sale property versus the subject property conditions. It is applicable to both immediate access and regional access. When significantly different than the subject, the comparable sale is adjusted for this factor of consideration.

Adjustment for Shape: When a comparable sale property or the subject property is adversely affected by overall size or shape of the property affecting the development

potential, this dissimilarity is adjusted for. In the subject case, due to the unit of comparison used, size and/or shape is not a significant factor of consideration.

Adjustments for Utilities: When the availability of public utilities is different between the comparable sale and the subject, this factor of consideration must be considered. In this valuation all comparable sales and the subject property have all public utilities available; thus, availability of utilities is similar and not adjusted for.

Adjustment for Topography: in the case of the comparable sales and the subject property, due to the unit of comparison used, this is not a significant factor of consideration.

Adjustment for Finished Site: all of the comparable sales had reached "record plat" status at time of sale while the subject is "raw land". There is a significant difference between "raw" land and land with "entitlements" and is adjusted for within the appraisal report.

Adjustments for "Other": This adjustment line item is for consideration of other factors which may/may not affect a comparable sale property or the subject property which has an impact upon sale price.

Following are the comparable sales which have been used for valuing the subject property, as is, by the Sales Comparison Approach. Then, following the information for each of the comparable sales considered in this analysis is a brief discussion of the adjustments considered. An adjustment grid is presented showing the comparable sales and the adjustments made for market discernible differences between the comparable sale and the subject property, as is.

Valuation of the Subject based upon Special Mixed Planned Development-Townhouse Development:

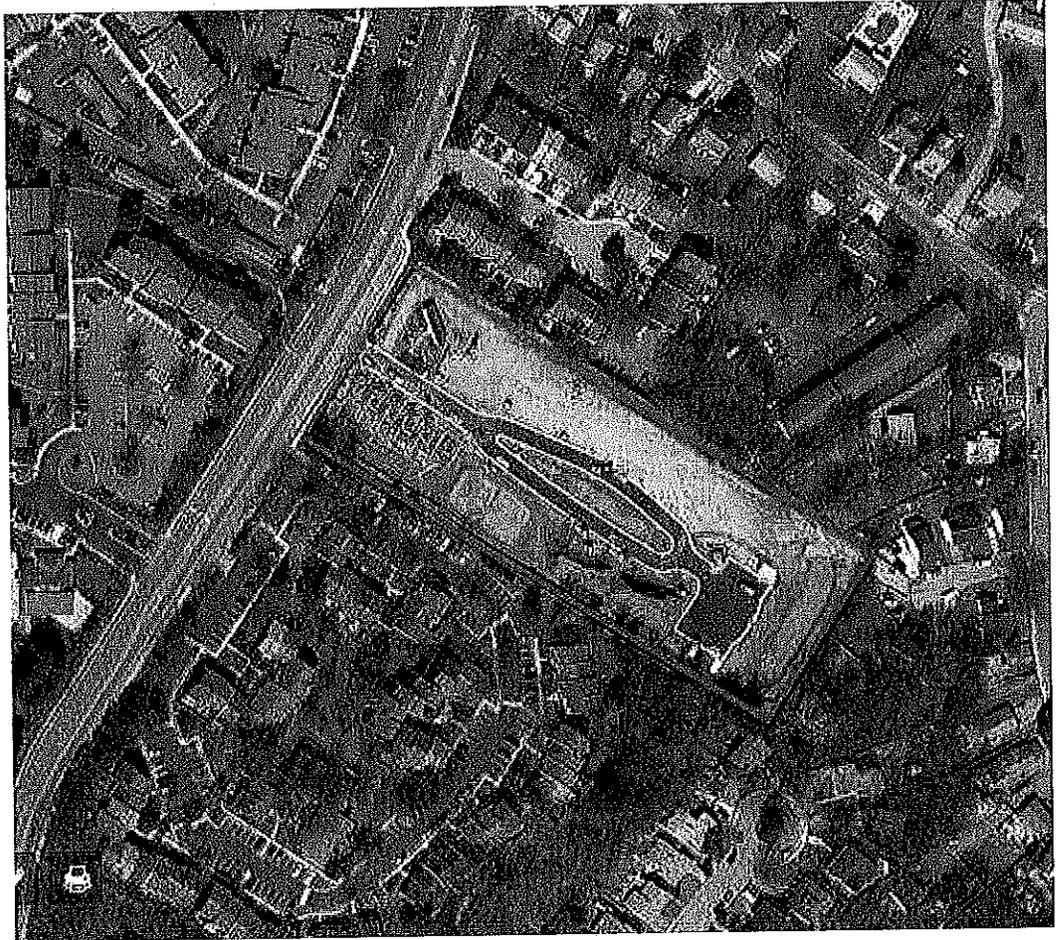
Numerous improved sales of similar properties have been investigated. Of the sales considered, seven were selected as sufficiently comparable to the subject property for valuation purposes. Due to the dearth of acreage townhouse land sales in Prince George's County over the past five years, six of the seven sales are located in Anne Arundel County and the remaining sale is located in Howard County.

The most pertinent unit of comparison is the sales price per potential townhouse unit.

The following is an outline description of each comparable property sale used for direct comparison to the subject property based upon the assumption that the subject would be developed with townhouse units only (with a minor amount of either commercial or office use).

Townhouse Land Sale 1

Location: 1-36 Enclave Court, The Enclave On Spa. Subdivision, Annapolis, Sixth Assessment District of Anne Arundel County, Maryland. Anne Arundel Tax Map No. 51F, Grid 13, Parcel No. 1318.



Recorded Plat: Plat Book 340, Page 10-11
Grantor: Lily Lorraine Clow
Grantee: K. Hovnanian Homes of Maryland L.L.C.
Sale Date: November 15th, 2016
Record Date: November 23rd, 2016
Deed Reference: 30336/309

Zoning: R-3, City of Annapolis

Frontage: 255 (±) feet on southeast side of Spa Road

Utilities: Public water and sewer

Land Area: 3.891 Acres (per record plat)

Improvements: Improved at time of sale (removed-estimated cost of \$50,000.00)

Lot Yield: 36 (unfinished) recorded townhouse lots

Sale Price: \$2,440,000.00 plus \$1,000,000.00= \$3,440,000.00
(Per deed plus \$1,000,000.00 to Reliable R.E.)

Unit Rates: \$95,556.00 per "paper" townhouse unit

Marketing Period: This was sold by investor company who knows "all the players" so property not directly exposed to the market.

Financing: All Cash Transaction.

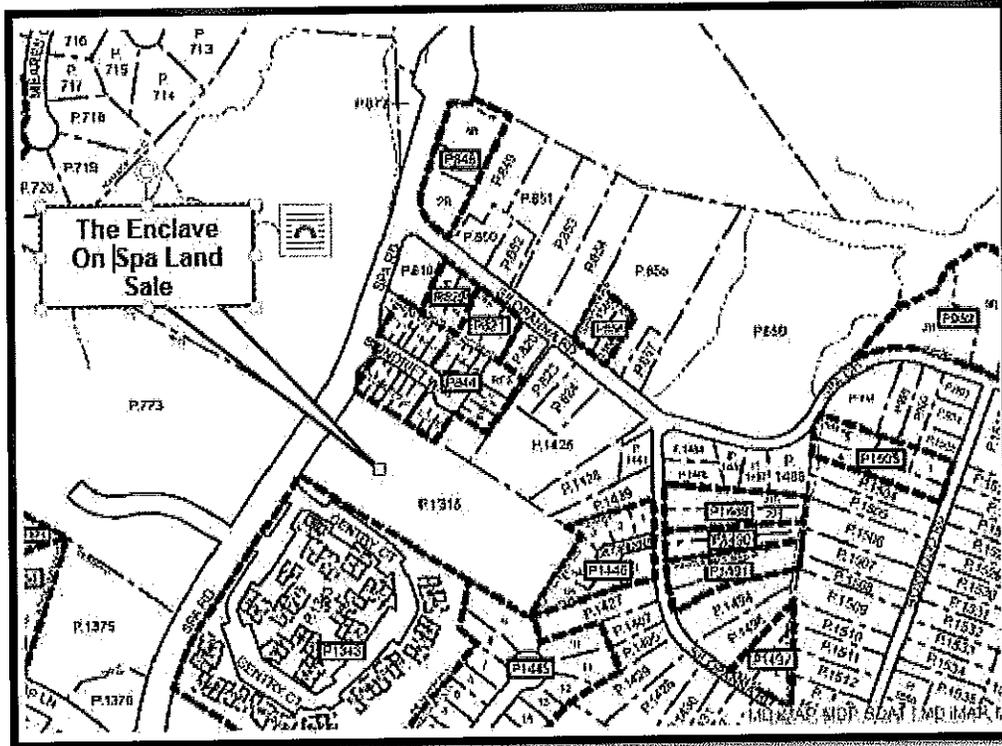
Comments: A recorded subdivision (The Enclave On Spa) at time of sale and site had been prepared by seller, including the removal of bad soils and with some new soils brought in- then compacted. Property effectively sold in "ready to build" infrastructure state.

Reliable paid over and above sale price as shown on deed due to "flipping" contract without ever owning property.

Townhouses are to be 24' wide and on 70'+ to 80'+ deep lots. The typical townhomes being constructed are 3 stories in height, 24' wide, vary from 2,387 gross square feet to 2,798 gross square feet in gross building area, have 3 bedrooms, 2.5 baths, and attached two-car garages. Asking prices vary from \$496,990.00 to \$565,639.00, plus add-ons which can increase the price significantly

Property originally under contract in 2012. Due to time requirements to get government approvals, property sold four years later.

Verified: CoStar, land records, deed, inspection, two representatives for seller (at Hogan Companies).



OWNER'S DECLARATION

CITY OF ANN ARBOR UTILITY NOTE

STORMWATER MANAGEMENT NOTE

LANDSCAPE NOTE

PLANTING CURB (AVAILABLE WITH PRIVATE RIGHT-OF-WAY AND CITY OF ANN ARBOR UTILITY EASEMENT NOTE)

TREE PRESERVATION EASEMENT AREA NOTE

LOT AREAS

LOT	AREA
1	1.14
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AREA TABULATIONS

AREA	AREA	AREA
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100	1.14	1.14

GENERAL NOTES

PLANNED DEVELOPMENT STATEMENT

SURVEYOR'S CERTIFICATE

RECORDED IN BOOK PAGE PLAT

THE ENCLAVE ON SPA

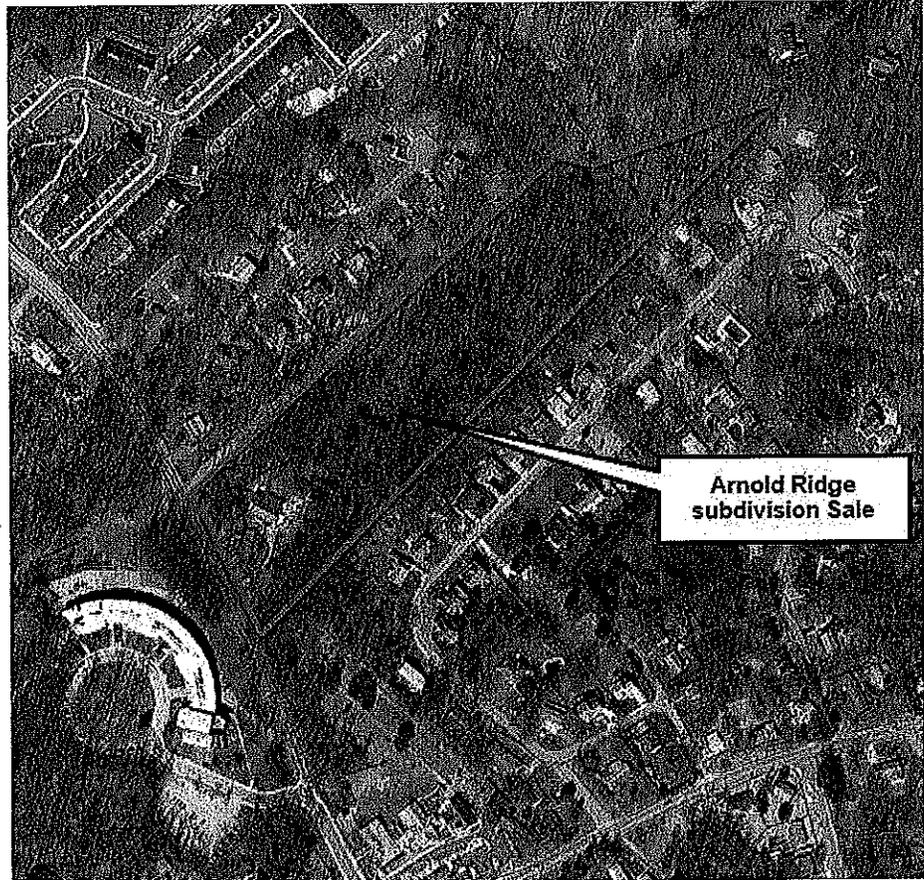
MAJOR SUBDIVISION

ANN ARBOR, MICHIGAN

PLAT NO. 19135-1

Townhouse Land Sale 2

Location: Arnold Ridge subdivision. Located on the northeasterly side of East Joyce Lane, Arnold, Third Assessment District of Anne Arundel County, Maryland. Anne Arundel Tax Map No. 39, Grid 12, Parcel Nos. 197 and 349.



Recorded Plat: Plat Book 3540, Pages 2-11
Grantor: Backbone Realty Company, LLC
Grantee: K. Hovnanian Homes of Maryland L.L.C.
Sale Date: August 3rd, 2017
Record Date: August 14th, 2017
Deed Reference: 31249/195

Zoning: R-1 (0.06 acres) and R-5 (11.01 acres), Anne Arundel County

Frontage: 415', more or less, on northeasterly side of East Joyce Lane (county maintained, single lane roadway)

Utilities: Public water and sewer

Land Area: 11.07 Acres (per record plat)

Improvements: Improved with dwelling at time of sale (removed-estimated cost of \$40,000.00)

Lot Yield: 51 (unfinished) recorded townhouse lots (plat recorded in July 2017)

Sale Price: \$4,900,000.00

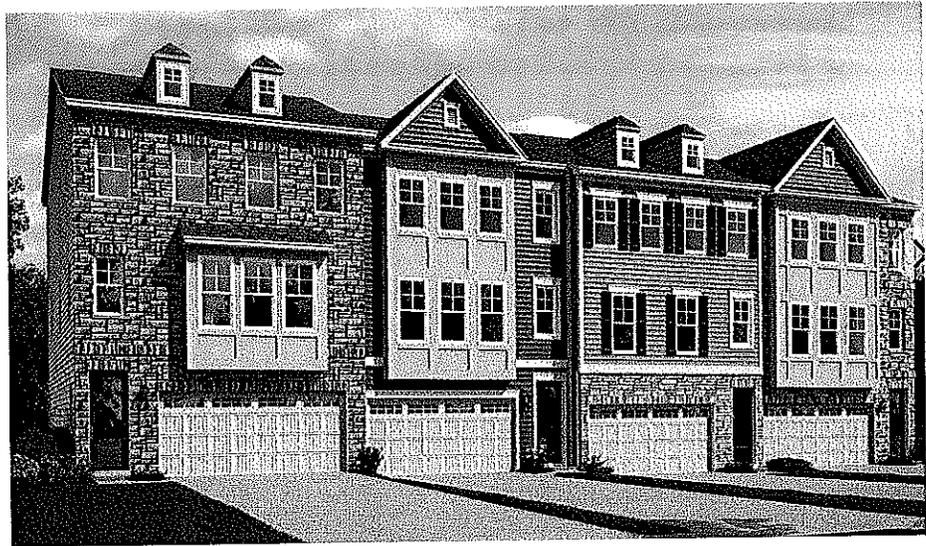
Unit Rates: \$96,078.00 per "paper" townhouse unit

Marketing Period: This was sold by entity who knows "all the players" so property not directly exposed to the open market.

Financing: \$3,201,916.67, balance of existing mortgage transferred. Terms unknown.

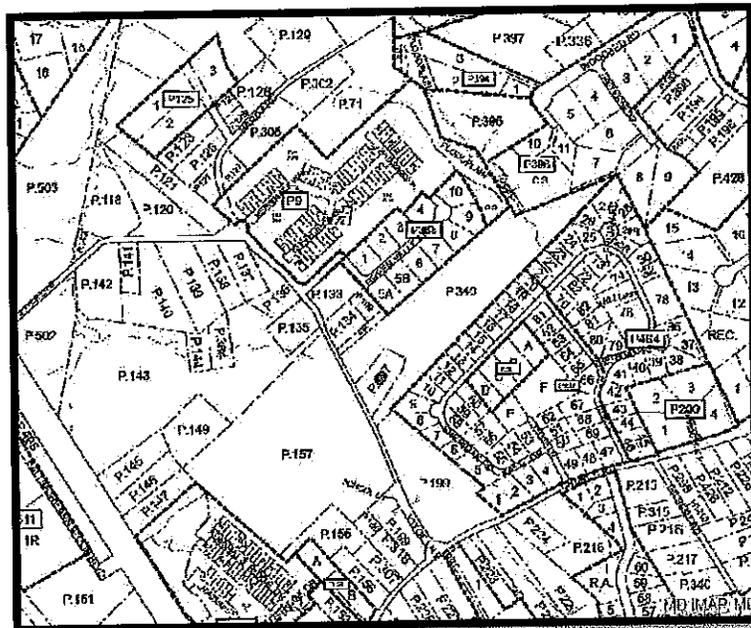
Comments: A recorded subdivision (Arnold Ridge) at time of sale. "Paper" townhouse subdivision. Property effectively sold in "ready to build" for grading, etc., including subdivision infrastructure (all to be done by purchaser)

Townhouses are to be 22' wide and on 80' deep lots. The typical townhomes being constructed are 3 stories in height, 24' wide, vary from 2,295 gross square feet to 2,496 gross square feet in gross building area, have 3 bedrooms, 2.5 baths, and attached two-car garages. Asking prices vary from \$430,000 to \$465,000.00, plus add-ons which can increase the price significantly



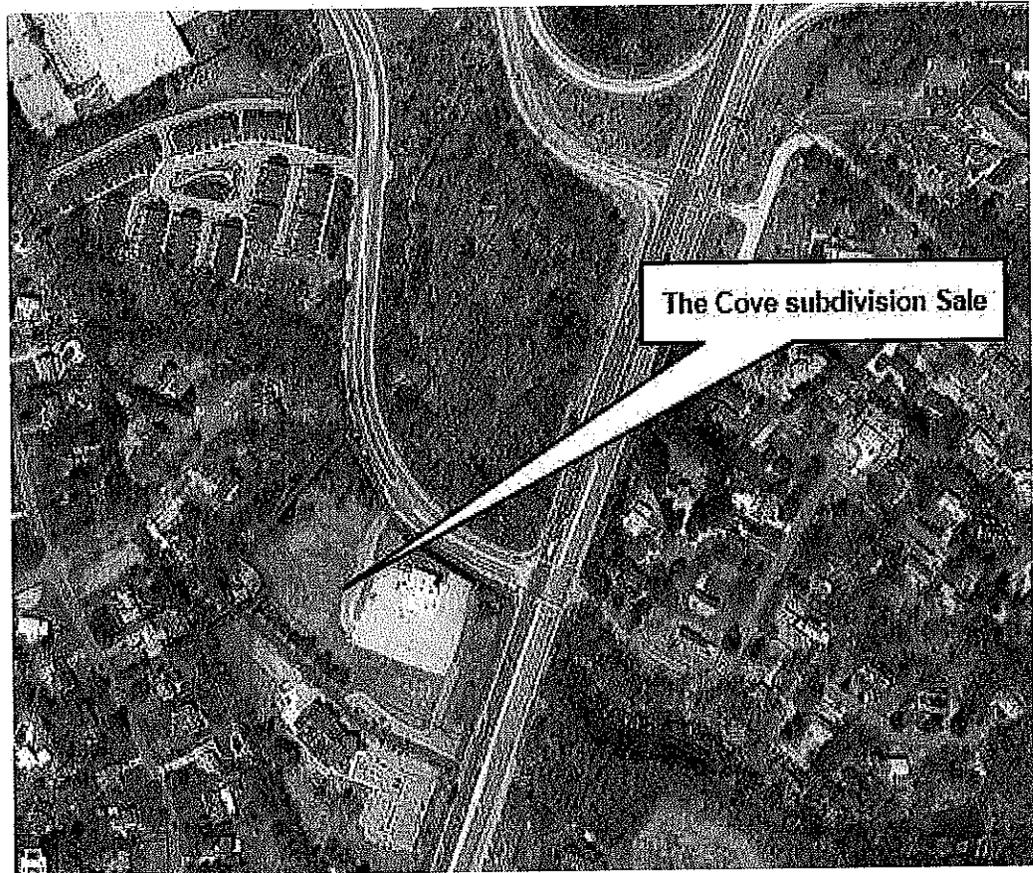
Property sold to Backbone Realty in January 2016 by Mullins and Hagen Estate, L.C. (two properties, two transactions) for \$677,500.00 and \$2,450,000.00= \$3,127,500.00. If adjusted to August 2017 at 3% per annum, the adjusted price would be \$3,284,000.00, rounded. The January 2016 sale was of "raw" land, reflecting a discount of 33% downward for difference between "platted" land and "raw" land. This discount is applied to comparable sales within this appraisal report.

Verified: CoStar, land records, deed, inspection, two representatives for seller (at Hogan Companies).



Townhouse Land Sale 3

Location: The Cove (townhouse) subdivision: 2590 Solomon's Island Road, Annapolis, Maryland 21401. Located on the westerly side of Maryland Route 2 (Solomon's Island Road) and southerly side of Admiral Cochrane Drive, Second Assessment District of Anne Arundel County, Maryland. Anne Arundel Tax Map No. 51D, Grid 16, Parcel Nos. 91 and 165.



Recorded Plat: Plat Book 350, Pages 9-12 (identified as "Broad Reach Village" major subdivision), then amended and identified as "The Cove" subdivision (Plat book 356, Pages 21-24)

Grantor: Columbus Club of Annapolis, Maryland, Incorporated

Grantee: D.R. Horton, Inc.

Sale Date: April 21st, 2017

Record Date: June 30th, 2017

Deed Reference: 31120/154

Zoning: R-10 (medium to high density residential district), R-2 (low-medium density residential district), and W-1 (Park Industrial district), Anne Arundel County

Frontage: 435 more or less, on westerly side of Maryland Route 2 (Solomon's Island Road) and 575', more or less, on the south/southwesterly side of Admiral Cochrane Drive
 Vehicle access via both Route 2 and Admiral Cochrane Drive

Depth: 350', more or less, as measured from Admiral Cochrane Drive

Utilities: Public water and sewer

Land Area: 6.1202 Acres (per amended record plat)

Improvements: Improved with private club at time of sale (removed-estimated cost of \$50,000.00)

Lot Yield: 50 (unfinished) recorded townhouse lots (plat recorded in July 2017)

Sale Price: \$3,750,000.00 (raw land price)
 \$5,500,000.00 (reportedly, sale price at "record plat"- with Koch receiving an estimated \$1,750,000.00 for assignment of contract)

Unit Rates: Raw Land= \$76,000.00 per "potential" townhouse unit (after adjusting for removal of existing improvements)
 At record plat= \$110,000.00 per "paper" townhouse unit (after adjusting for removal of existing improvements and after adjustment for assignment of contract)
 Note: "Raw Land" sale price used for direct comparison in valuing Spa Road property).

Marketing Period: This was sold by entity company who knows "all the players" so property not directly exposed to the market.

Financing: All cash transaction

Comments: Sale price of \$3,750,000.00 is understood to be contract price, as is, which was based upon "raw land". Koch eventually "flipped" contract to D.R. Horton, receiving an estimated \$1,750,000.00 for assignment

(note: "flip" not verified by Koch, data based upon interview with representative of Elm Street Development). Importantly, raw land price is used for direct comparison purposes in valuation of City of Annapolis Public Works property on Spa Road.

At time of sale, sale property was a recorded subdivision (Broad Reach Village) at time of sale (which, subsequently, was changed by amended subdivision plat to "The Cove"). "Paper" townhouse subdivision with 50 townhouse lots. Property effectively sold in "ready to build" for grading, etc., including subdivision infrastructure (all to be done by purchaser). Note that there was a 51st lot, which was not included in sale (public pumping station, 1,500 square feet tin area).

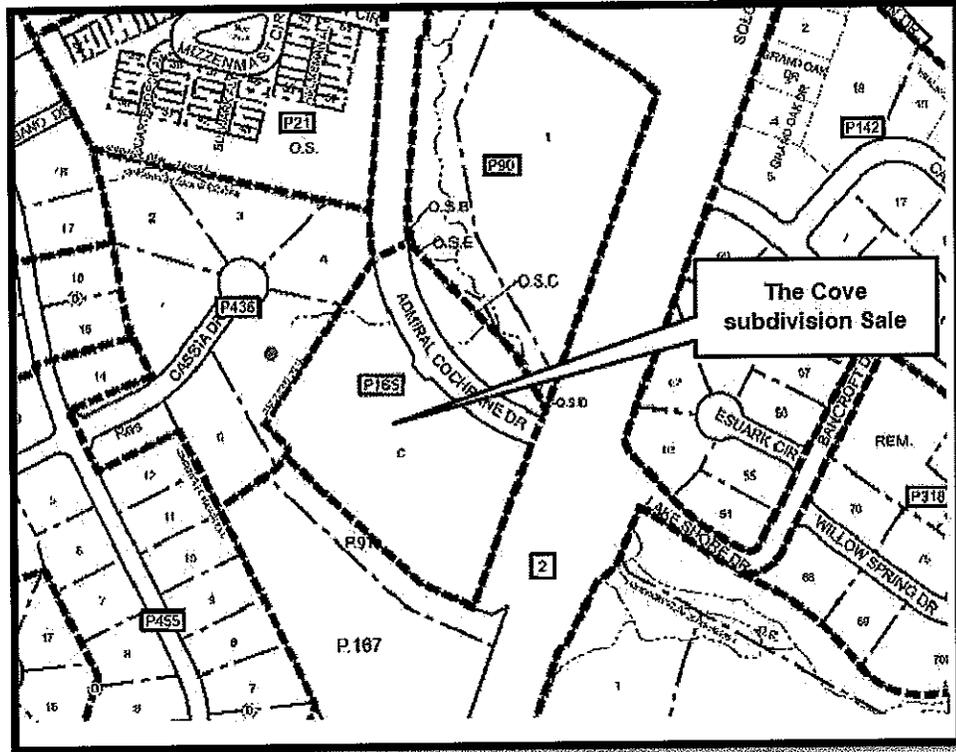
Townhouses are to be 22' wide and on 80' deep lots. The typical townhomes being constructed are 3 stories in height, 22' wide, vary from 2,135 gross square feet to 2,270 gross square feet in gross building area, have 3 bedrooms, 3.5 baths, and attached, front load, two-car garages. Asking prices vary from \$490,000-\$500,000, plus add-ons which can increase the price significantly



Deed indicates sale price of \$3,750,000.00; however, sale price paid by D.R. Horton was (reportedly) \$5,500,000.00 due to Koch assigning contract. Though Westholm & Associates does not know the date of the original contract, it is recognized that the difference between the "raw land" price (\$3,750,000) and the actual sale price, if adjusted from actual sale price (\$5,500,000) to raw land price is downward 32% (which is similar to Sale No. Two). This discount is in support of the discount reflected in Sale No. Two and is applicable to comparable sales when appropriate within this appraisal report.

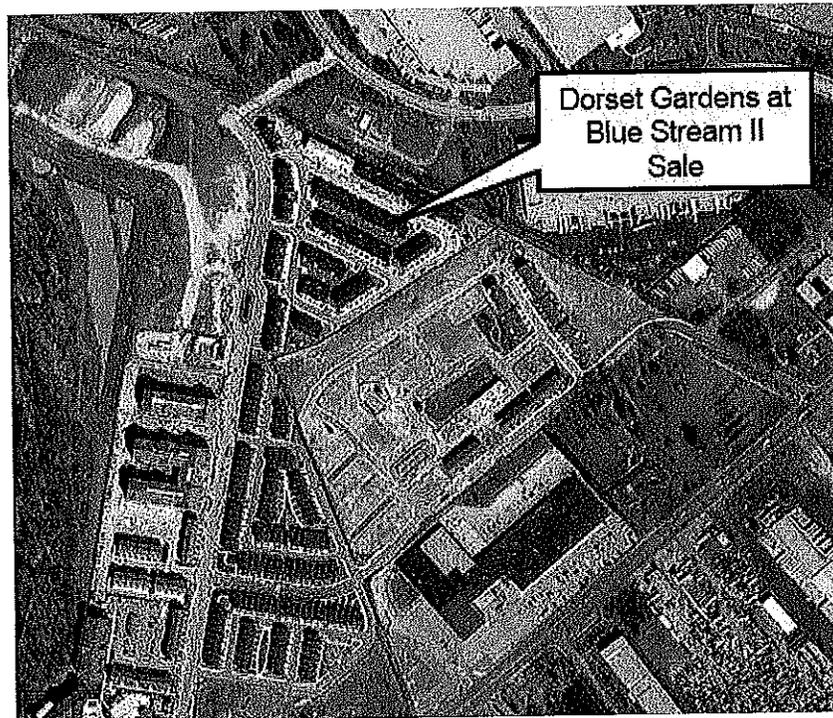
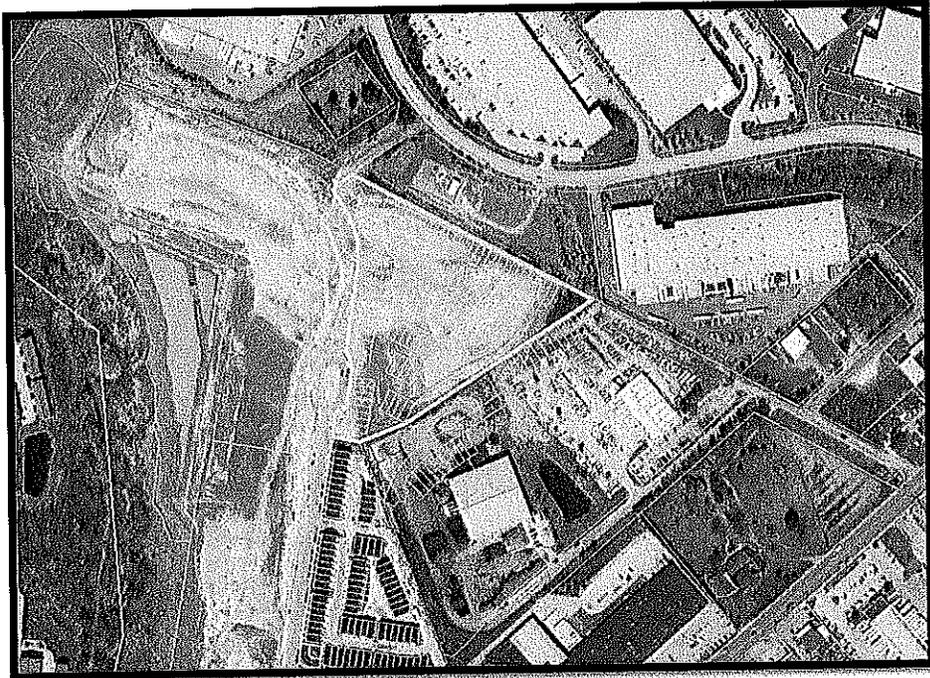
Verified:

CoStar, land records, deed, inspection, Mike Burlaugh (Elm Street Development).



Townhouse Land Sale 4

Location: 8004 Blue Stream Drive, ElkrIDGE, Howard County, MD. Tax Map 43, Grid 4, Parcel 14, Lot L-1 (Tax Account: 01-597140; Howard County 1st Assessment District)*



Recorded Plat: 23338-23342

Grantor: Blue Stream, LLC

Grantee: U. S Home Corporation d/b/a Lennar

Sale Date: March 6th, 2015

Record Date: March 9th, 2015

Deed Reference: 16054/008

Zoning: CAC-CLI, Corridor Activity Center-Continuing Light Industrial (Howard County, Maryland)

Frontage: 280 (±) feet on Blue Stream Drive

Utilities: Public water and sewer

Land Area: 7.6361 acres per (332,629 square feet)

Improvements: Unimproved at time of sale.

Lot Yield: 105 (unfinished) recorded lots

Sale Price: \$12,249,988.00

Adjusted Sale Price: \$9,624,988.00 (after deducting \$25,000/unit physical infrastructure development costs)

Unit Rates: \$91,666.55 per townhouse lot/unit (paper lot)

Marketing Period: This was sold by entity who knows "all the players" so property not directly exposed to the open market.

Financing: Non-Recourse Deferred Purchase Money Deed of Trust, \$2,150,000.00; 16054/012

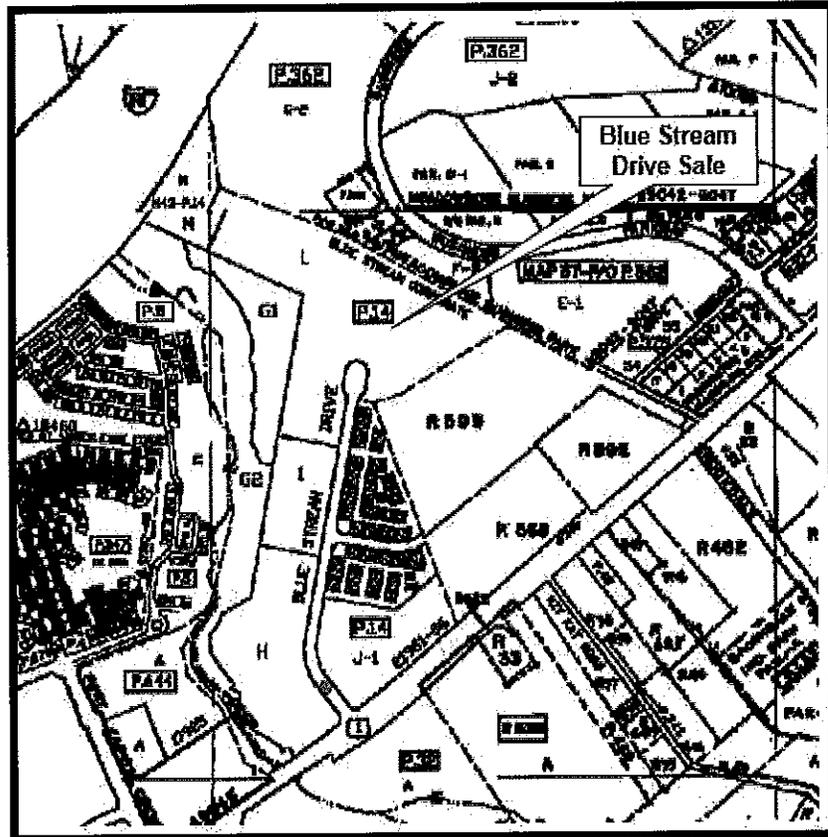
Note: based upon Sale 3, purchaser paid in three, equal, installments over one-year period.

Comments: Dorset Gardens at Blue Stream II. Sale price is based upon seller putting in physical infrastructure (streets, sidewalks, storm water management, etc.)—buyer effectively purchased finished pad sites.



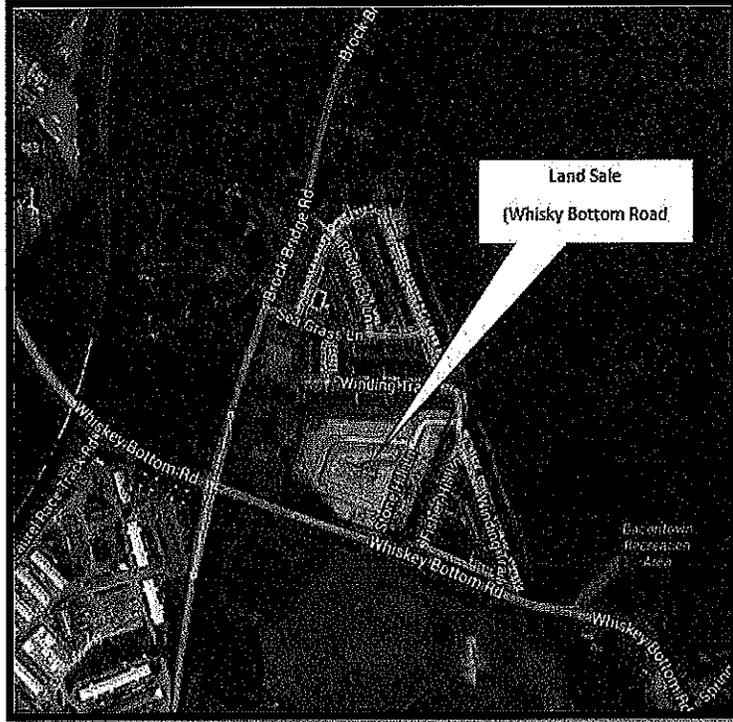
Verified:

CoStar, land records, deed and inspection, buyer agent.



Townhouse Land Sale 5

Location: Whiskey Bottom Road, Laurel, Maryland, 20724. Property further identified on Anne Arundel County Tax Map 19, Grid 11, as Parcel 13 in the Fourth Assessment District.



Grantor: Whiskey Brothers, LLC and One Eyed Horse, LLC

Grantee: U.S. Home Corporation, a Delaware Corporation D/B/A Lennar

Recorded: 27284/ 00253

Sale Date: May 15th, 2014

Land Area: 8.811 acres (or 383,807 square feet ±)

Zoning: R5 residential district (Anne Arundel County)

Utilities: All public

Improvements: Vacant at conveyance

Lot Yield: 78 townhouse units (paper lots)

Sale Price: \$5,109,000.00

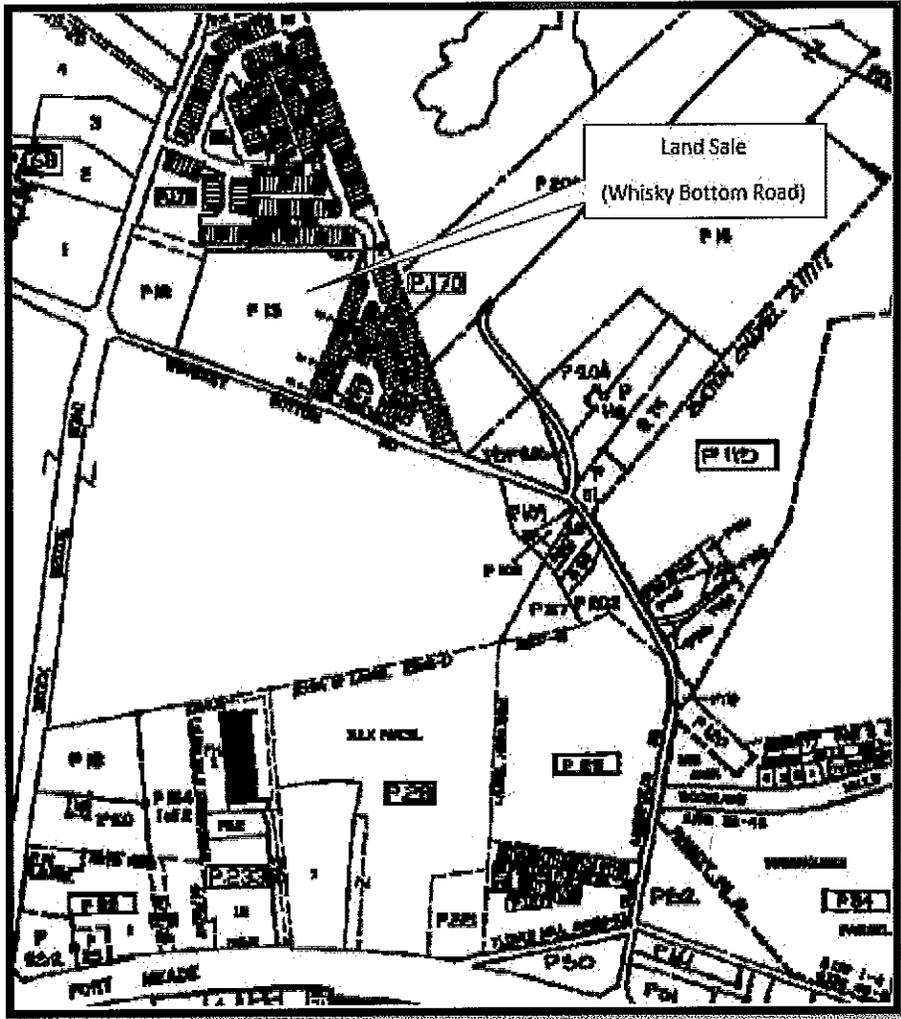
Unit Rate: \$13.31 per square foot (or \$579,843 an acre)
\$65,500.00 per "paper" townhouse lot/unit

Marketing Period: This was sold by entity who knows "all the players" so property not directly exposed to the open market.

Financing: All Cash Transaction

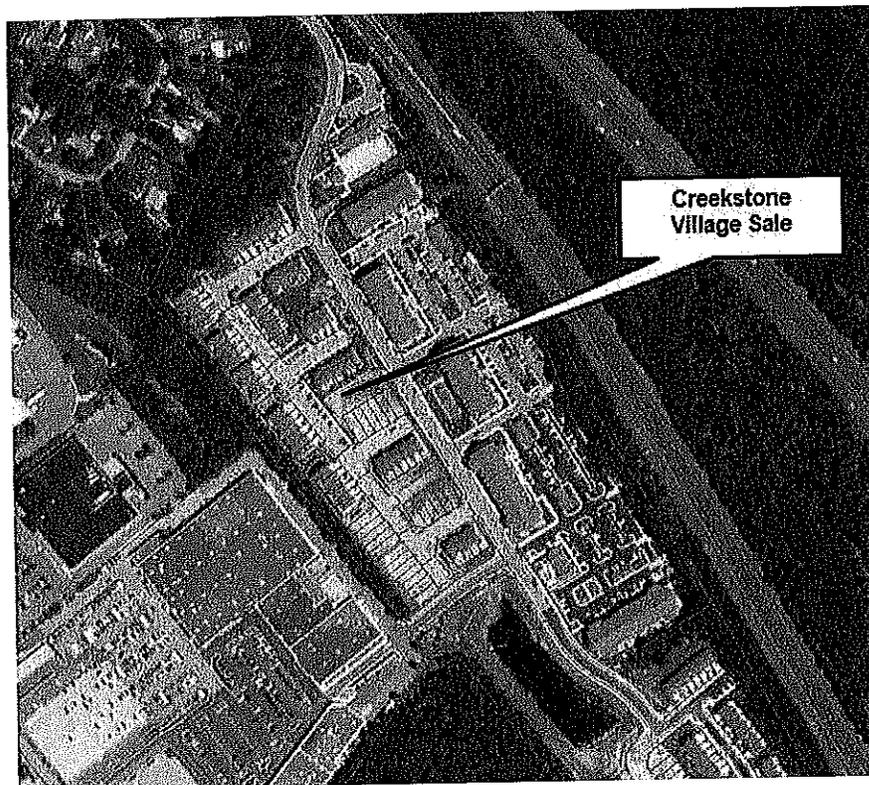
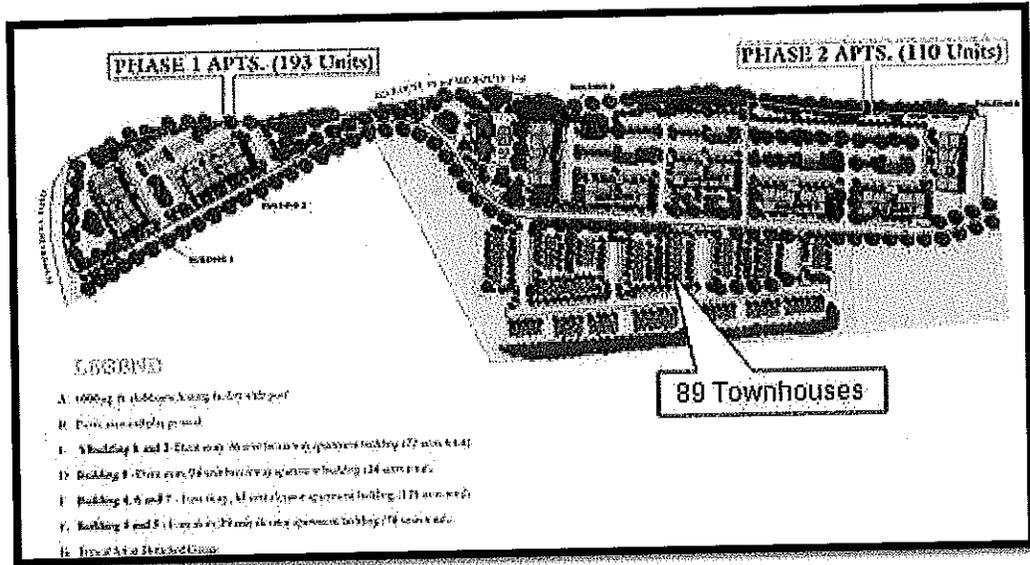
Comments: At the time of sale the land was a recorded plat zoned for 78 townhouse units. The buyer, Lennar, will be developing an additional 78 Townhouses adjacent to the recently developed neighborhood Fieldstone; the additional 78 townhouses will be part of the Fieldstone Preserve community.

Verified: by representative of the seller, Costar and Land Records

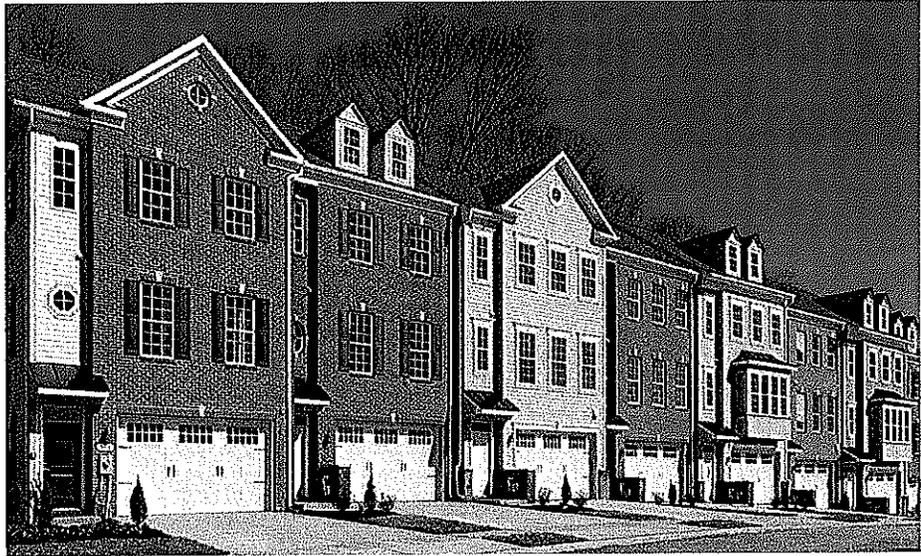


Townhouse Land Sale 6

Location: 8198 Jumpers Hole Road, Anne Arundel County Tax Map 16, Grid 16, Parcel 790, Third Assessment District, Pasadena, Maryland 21122

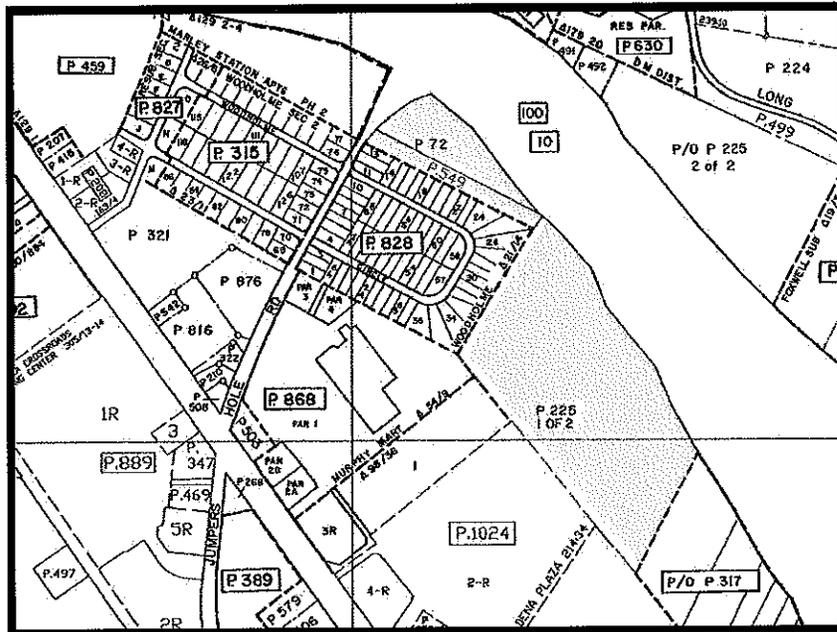


Grantors:	Jumpers Investment Associates, LLC
Grantee:	Timberlake Creekstone, LLC
Recorded:	26658/39
Deed Date:	September 13 th , 2013
Record Date:	September 20 th , 2013
Zoning:	C-4, Highway Commercial (Anne Arundel County)
Utilities:	Public water and sewer
Land Area:	9.00 acres (392,040 square feet)
Improvements	None of contributory value
Lots Yield:	89 "paper" recorded townhouse lots
Sale Price	\$6,052,000.00
Unit Rate:	\$68,000.00 per potential unit
Financing	\$5,400,000.00 from Manufacturers & Traders Trust Company
Comments	<p>There is an additional 193 apartment units which can be built on the larger parcel. This sale included the plated townhouse lots ONLY; thus a "paper" subdivision was sold in this transaction. The neighborhood is called Creekstone Village.</p> <p>The typical townhomes currently being constructed are 4 levels in height, 3,436 gross square feet unit area, have 3 to 5 bedrooms, 3.5 to 4.5 baths, and attached two-car garages. Asking prices start at \$400,000.00, plus add-ons which can increase the price significantly</p>



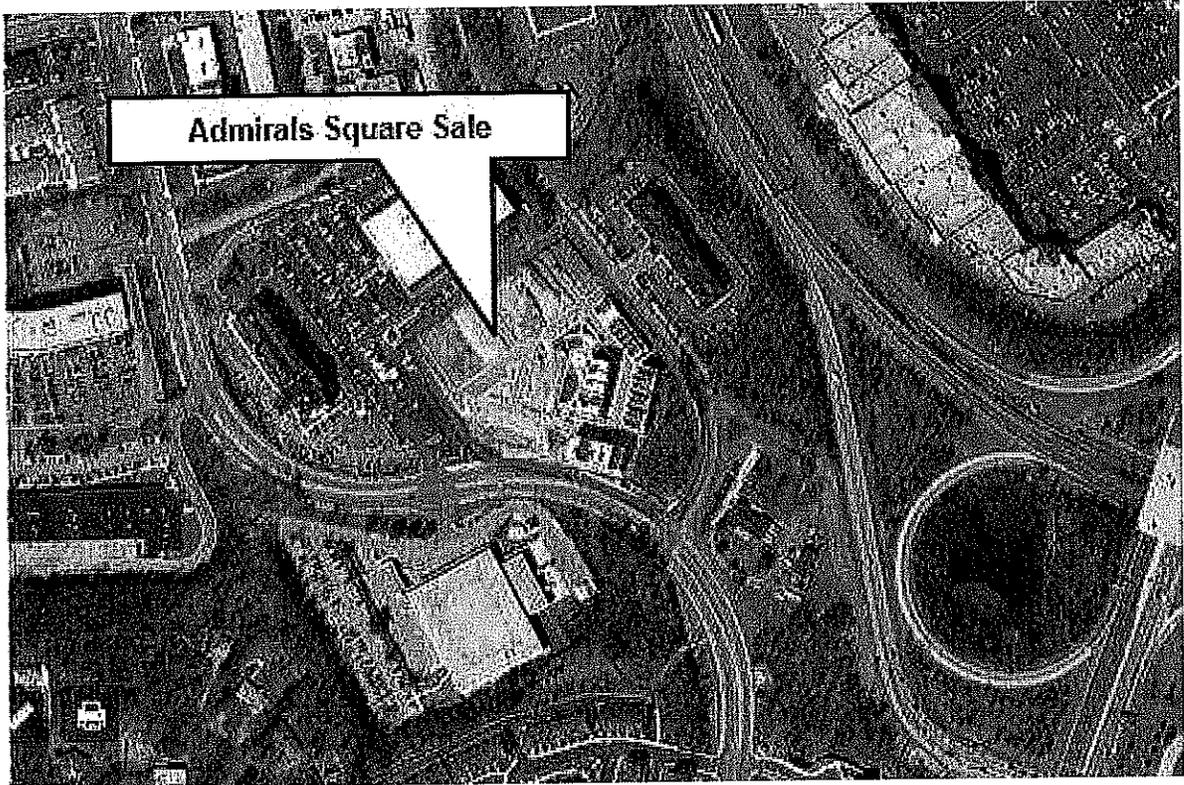
Days on Market: This was sold by entity who knows "all the players" so property not directly exposed to the open market.

Verified: CoStar COMPS, land records, seller representative



Townhouse Land Sale 7

Location: Admirals Square (townhouse and condominium) subdivision: 2 Womark Drive, Annapolis, Maryland 21401. Located on the northerly side of Admiral Cochrane Drive, Second Assessment District of Anne Arundel County, Maryland. Anne Arundel Tax Map No. 51D, Grid 3, Parcel No. 185.



Recorded Plat: Plat Book 339, Pages 43-50

Grantor: LSOP 3C, VI, LLC

Grantee: Brookfield Admirals' Square LLC.

Sale Date: November 30th, 2015

Record Date: December 9th, 2015

Deed Reference: 29083/248

Zoning: W-1 (Park Industrial, Anne Arundel County, Maryland)

Frontage: 350' more or less, on northerly side of Admiral Cochrane Drive and 720', more or less, on west/southwest side of Womack Drive. Vehicle access via Womack Drive

Depth: 400', more or less, and variable as measured from Womack Drive

Utilities: Public water and sewer

Land Area: 4.94 acres (per deed), 5.83 Acres (per CoStar)

Improvements: Sold at "record plat"- paper subdivision. Sold with 45 EDU credits (value of approximately \$700,000.00).

Lot Yield: 106 total units=
56 (unfinished) recorded townhouse lots and 40 (unfinished) recorded condominium units (plat recorded in November 2015)

Sale Price: \$5,500,000 (per deed)- raw land with EDU credits
\$4,800,000 (per deed after deducting for EDU credits)

\$8,044,000.00 (with payment of \$2,544,000 to Elem Street Development, who assigned contract after taking property to "record plat").

Unit Rates: At record Plat= \$75,887.00 per "paper" townhouse/condo unit
At record Plat= \$69,283.00 per "paper" townhouse/condo unit (after adjusting for EDU Credit of approximately \$700,000.00)

Raw Land t= \$51,887.00 per "potential" townhouse/condo unit
Raw Land= \$45,283.00 per "potential townhouse/condo unit (after adjusting for EDU Credit of approximately \$700,000.00)

Note: For purposes of this appraisal report the record plat rate (less credit for EDU credit) shall be used.

Marketing Period: This was sold by entity company who knows "all the players" so property not directly exposed to the market.

Financing: All cash transaction

Comments: A recorded subdivision (Admirals Square) at time of "Paper" townhouse subdivision with 56 townhouse lots and 40 condominium units. Property effectively sold in "ready to build" for grading, etc., including subdivision infrastructure (all to be done by purchaser).

Townhouses are to be between 14' to 20' wide and on 64' deep lots. The typical townhomes being constructed are 3+ stories in height, , vary from 2,679 gross square feet to 2,720 gross square feet in gross building area, have 3 bedrooms, 2.5 baths, and attached garages. Asking prices vary from \$400,000 plus add-ons which can increase the price significantly.

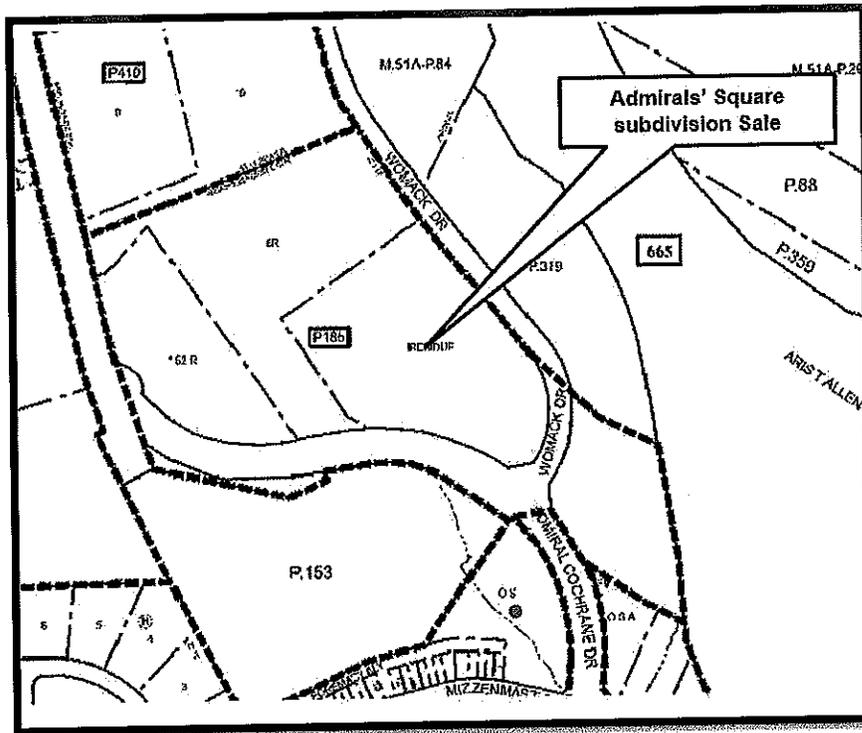


Promotional picture by Brookfield Builders.

Deed indicates sale price of \$5,500,000.00; however, sale price paid by Brookfield Builders was \$8,044,000.00 due to Elm Street assigning contract. Though Westholm & Associates does not know the date of the original contract, it is recognized that the difference between the "raw land" price (\$5,500,000, less \$700,000 in EDU credits) and the actual sale price, if adjusted from actual sale price (\$8,044,000 less EDU credits) to raw land price is downward 34% (which is similar to other sales. This discount is in support of the discount reflected in other sales and is used within this appraisal report.

Verified:

CoStar, land records, deed, inspection, Mike Burlaugh (Elm Street Development).



Townhouse Property Comparable Sales:

Sale No.	Property	Sale Date	Sale Price	No. of Units	Sale Price Rate/TH Unit	Status
1	The Enclave on Spa	November-16	\$3,440,000.00	36	\$95,555.56	record plat
2	Arundel Ridge	August-17	\$4,900,000.00	51	\$96,078.43	record plat
3	The Cove	April-17	\$3,750,000.00	50	\$75,000.00	raw land
4	Dorset Gardens at Blue Stream II	March-18	\$9,624,988.00	105	\$91,666.55	record plat
5	Fieldstone Preserve	May-14	\$5,109,000.00	78	\$65,500.00	record plat
6	Creekstone Village	September-13	\$6,052,000.00	89	\$68,000.00	record plat
7	Admirals' Square	December-15	\$8,044,000.00	106	\$69,283.02	record plat-adjusted

Adjustments

Sales are normally adjusted to reflect the property rights conveyed, the conditions surrounding the sale, financing, changes in market conditions, physical characteristics,

location, zoning, and land area. The following is a comparison of the comparable sale properties to the average subject, ready to build, residential lot.

Property Rights Transferred

This adjustment reflects differences between the legal status of the property rights conveyed with the comparable sales and the legal status of the property rights of the subject property. All of the comparable sales used were conveyed in fee-simple transactions; thus, considered similar, none of the comparable sales are adjustments for this factor.

Financing

The financing adjustment reflects the cash equivalent price of below market financing. None of the purchasers received below market financing from the sellers. Therefore, no adjustment is made to the comparable sales to reflect below market financing, as cash or market rate financing was used in each comparable sale transaction.

Conditions of Sale

The conditions of sale adjustment reflect the difference in the actual sale price and the probable selling price, if the transaction was not arms-length or if the sale represents a foreclosure or distress sale. Each of the sales reflects an open market, arms-length transaction; thus, no adjustment is considered warranted for this factor.

However, it is noted that the sale price for

Sale No. One is adjusted upward in recognition of assignment of contract, with assignor being paid \$1,000,000.00;

Sale No. Three is adjusted upward \$50,000.00 for cost of removal of existing improvements;

Sale No. Four is adjusted downward to take into consideration the costs of infrastructure (cost of infrastructure paid by seller);

Sale No. Seven is adjusted downward in recognition that EDU credits were included in sale price.

Market Conditions

See section of this appraisal report entitled "Market Condition Adjustment(s)"

All comparable sales are adjusted at a rate of 3.0% per annum, straight line.

Expenditures After Purchase

No adjustments made to any of the comparable sales for this factor.

Location

Comparable Sale Nos. 3, 5, 6 and 7 are considered to have inferior locations when compared to the subject location. Sale Nos. 3, 5, 6 and 7 are adjusted upward for this inferiority in location. Sale No. 1, 2 and 4's location is/are considered to be sufficiently similar to the subject lot in terms of location characteristics; thus, no adjustment is necessary. None of the comparable sales are considered to have superior locations when compared to the average subject lot.

Zoning

Since all of comparable sales properties are being developed with townhouse subdivisions, all are considered sufficiently similar to the subject that no adjustment for zoning is considered warranted.

Size, Number of Lots, Types of Units

When compared to the subject (estimated to be reasonably developable with approximately 64 townhouse units/lots, sales with a higher number of townhouse lots than the subject are adjusted upward in recognition of the fact that, typically, the higher the number of units the lower the per unit rate (conversely, the lower the number of units the higher the per unit rate. When considering the comparable sales versus the subject, Sale Nos. 4, 5 and 7 are adjusted upward for this factor while Sale No. 1 is adjusted downward for this factor of consideration. The remaining comparable sales are considered to be sufficiently similar in the number of units when compared to the subject and, thus, are not adjusted for this factor.

Utilities

No adjustment necessary; all comparable have the same utility availability as the subject property.

Road Accessibility

This adjustment considers the differences in vehicular accessibility when comparing the comparable sales to the subject. The subject has good access to the greater Annapolis region and regional highway network. The comparable sales which are located in inferior locations are adjusted upward. Of the seven sales, two (Sale Nos. 2 and 5) are considered inferior when compared to the subject's road accessibility. These sales are adjusted upward for inferiority in road accessibility when compared to the average subject lot. The remaining comparable sales are considered sufficiently similar to the subject for this factor; no adjustments for differences in road accessibility are warranted.

Topography

No adjustments warranted.

Shape

No adjustments warranted

Finished Site

When compared to the subject (considered "raw land"), six of the seven sales sold at record plat and, thus, are considered superior to the subject. These sales (Numbers 1, 2, 4, 5, 6, and 7) are adjusted downward accordingly. Only Sale No. 3 is considered for valuation purposes as a "raw land" sale and, thus, is not adjusted for this fact/factor of consideration.

Other

This factor of consideration is typically reserved for important factors of consideration that would have an impact to value but are not considered applicable/fitting within the factors of consideration discussed above. In the subject case, it is our opinion that the subject has commercial development potential based upon being developed as a planned development. None of the comparable sales have this attribute and, thus, when compared to the subject property are considered inferior to the subject. Therefore, all of the comparable sales are adjusted upward for this factor of consideration.

Conclusion

The following is a table showing the adjustments considered in comparing the comparable sale properties to the subject property, as is.

	SALE 1	SALE 2	SALE 3	SALE 4	SALE 5	SALE 6	SALE 7
LOCATION	SALE 1 Annapolis	SALE 2 Arnold	SALE 3 Annapolis	SALE 4 Elridge	SALE 5 Pasadena	SALE 6 Laurel	SALE 7 Annapolis
COUNTY	Annapolis	Anne Arundel	Anne Arundel	Howard	Anne Arundel	Anne Arundel	Anne Arundel
NEIGHBORHOOD	Sea Road/near Hilltop 1	East Joyce Lane	Parole	Elridge	Jumpers Hole Rd area	Maryland City area	Parole
DATE OF SALE	April-18 11,570	August-17 11,070	April-17 8,100	March-16 7,838	May-14 8,471	May-14 8,471	November-15 4,540
SIZE/ACRES	3,891	482,209	285,716	332,659	385,807	385,807	215,108
NUMBER OF TOWNHOUSE UNITS	64 (+)	51	80	105	76	76	196
FRONTAGE/ACCESS	Directly onto Spa Road	East Joyce Lane	Admiral Cochran Drive	Interior	Interior	Interior	Interior
SHAPE	Irregular	Irregular	Regular	Regular	Regular	Regular	Irregular
ZONING	R-3, R-2, R-1	R-5 and R-1	R-10	CAC-CL	R-32 and R-10	R-32 and R-10	R-1
TOPOGRAPHY	3 Spa moderate to steep slope	Level to near level	Level to moderate slope	Generally level w/slope			
FINISHED SITE	Raw	Record plat	Record plat	Record plat	Record plat	Record plat	Record plat
UTILITIES	All public	All public	All public	All public	All public	All public	All public
SALES PRICE	\$2,400,000.00	\$4,900,000.00	\$3,790,000.00	\$12,249,688.00	\$5,108,000.00	\$5,108,000.00	\$5,044,000.00
RATE/POTENTIAL UNIT	0%	596,078	\$75,000	\$118,627	\$65,800	\$65,800	\$75,587
CONDITIONS OF SALE	None	None	\$50,000	\$6,625,000.00	None	None	\$700,000
ADJUSTED SALE PRICE	\$2,400,000.00	\$4,900,000.00	\$3,840,000.00	\$9,524,688.00	\$5,108,000.00	\$5,108,000.00	\$7,344,000.00
ADJUSTED RATE/UNIT	0%	\$98,078	\$78,000	\$91,887	\$85,800	\$85,800	\$89,283
PROPERTY RIGHTS	0%	0%	0%	0%	0%	0%	0%
CONDITIONS OF SALE	0%	0%	0%	0%	0%	0%	0%
FINANCING	0%	0%	0%	0%	0%	0%	0%
MARKET CONDITIONS	2%	2%	5%	9%	12%	14%	7%
TIME ADJUSTED RATE/EF	\$99,278	\$99,000	\$78,283	\$99,817	\$73,383	\$73,383	\$74,193
LOCATION	0%	0%	10%	0%	25%	25%	15%
SIZE/NUMBER/TYPES OF UNITS	5%	0%	0%	10%	0%	0%	25%
FRONTAGE/ACCESS	0%	0%	0%	0%	0%	0%	0%
SHAPE	0%	0%	0%	0%	0%	0%	0%
ZONING	0%	0%	0%	0%	0%	0%	0%
TOPOGRAPHY	0%	0%	0%	0%	0%	0%	0%
FINISHED SITE	-2%	-2%	-2%	-2%	-2%	-2%	-2%
UTILITIES	0%	0%	0%	0%	0%	0%	0%
OTHER (Commercial Potential)	10%	10%	10%	10%	10%	10%	10%
NET ADJUSTMENT	-27%	-12%	20%	-15%	13%	13%	16%
INDICATED RATE/UNIT	\$72,940	\$82,240	\$53,335	\$94,829	\$83,722	\$83,722	\$86,594

The average sale date for the seven comparable sales is October 2015 while the average size of the land sales is approximately 7.35 acres. The average number of units is approximately 74 units. The average rate per unit for the comparable sales, was approximately \$80,700 per potential townhouse unit (note: one sale had 40 condominium units, which is not adjusted for at this point, but is adjusted for when considering market discernible differences between the comparable sale and the subject, as is).

Of the sales included, no one sale has been singled out as the most comparable; thus, all of the sales are considered in arriving at a final opinion of value by the Sales Comparison Approach. Before adjustments, the sales reflect a range in value from \$65,500 to \$116,667 per potential townhouse unit. As adjusted, the sales reflect a range of \$41,588 to \$57,301 per potential townhouse unit. The average indicated rate for the subject, based upon the seven comparable sales, is approximately \$84,323 per townhouse unit. If one eliminates the highest indicated rate and the lowest indicated rate from consideration, thus only considering the five "middle" indicated rates, then the average indicated rate for the subject property is approximately \$84,756 per townhouse unit. If only "Annapolis" sales are considered, then the average indicated rate for the subject is \$84,159 per townhouse unit.

Considering the above, and based on an analysis of the comparable sales, it is our opinion that the fee simple market value of the subject property as "townhouse land", reasonably capable of being developed with approximately 64 townhouse units (and with a commercial component also), is at a rate of \$85,000 per potential townhouse unit.

Therefore, based upon the preceding analysis by the Sale Comparison Approach, assuming the subject property were to be developed as a special mix planned development, (with a small site for either commercial or office development/use), the indicated market value of the subject property, as is, is estimated as follows:

66 townhouse units @ \$85,000.00 per unit	=	\$5,610,000.00
Rounded to	=	\$5,600,000.00

Sales Comparison Approach Conclusion

Therefore, as a result of the preceding sales comparison approach analysis, subject to the Extraordinary Assumptions, Underlying Assumptions and Contingent Conditions contained herein, the indicated fair market value of the subject property, as presently existing, as of December 3rd, 2014, is:

**FIVE MILLION SIX HUNDRED THOUSAND DOLLARS
(\$5,600,000.00).**

Note: Above value rounded to \$5,600,000.00. The values cited/selected below are not rounded.

Comment:

At the selected per unit rate, recognizing that the Eastern Parcel is valued assuming its contributory factor is equivalent to 55 townhouse units, the Eastern Parcel's "value" is:

55 Potential Townhouse Units @ \$85,000.00 per = \$4,675,000.00

And,

At the selected per unit rate, recognizing that the Western Parcel is valued assuming its contributory factor is equivalent to 12 townhouse units, the Western Parcel's "value" is:

11 Potential Townhouse Units @ \$85,000.00 per = \$ 935,000.00

**MARKET VALUE, AS IS,
RECONCILIATION AND FINAL VALUE ESTIMATE**

COST APPROACH	N/A
SALES COMPARISON APPROACH	\$5,600,000.00
INCOME CAPITALIZATION APPROACH	N/A

Reconciliation involves a review of the reliability of the data used the relative applicability of the approach to the type of property being appraised and the relative applicability of the approach in light of the definition of value sought. Since the subject property, as is, was valued by only one approach to value, there is no need to reconcile different indications of value by more than one approach.

Therefore,

Market Value, As Is:

Accordingly, after a thorough analysis of the influencing factors, subject to the Extraordinary Assumptions, Underlying Assumptions, Hypothetical and Contingent Conditions contained herein, it is Westholm & Associates opinion that the market value of the subject property fee simple estate/interest, "as is" (as presently existing) and as April 11st, 2018, is:

**FIVE MILLION SIX HUNDRED THOUSAND DOLLARS
(\$5,600,000.00)**

MARKETING TIME PROJECTION

Reasonable marketing time is an estimate of the time period that is required to sell a property interest in real estate at the estimated market value level during the period immediately following the effective date of an appraisal. The estimate of a marketing time for the subject property is based on: (1) marketing periods experienced by similar properties; (2) information gathered during the verification of sales; (3) interviews of market participants; and (4) changes that may be expected to occur in market conditions. Additional information regarding market conditions may include identification of typical market participants and typical financing arrangements. An estimate of a reasonable marketing time is a function of price, time, use and expected changes in market conditions. The estimate of the time period necessary to market and sell the subject property is based on the following observations.

The projected marketing time will vary greatly, depending upon the aggressiveness of the marketing agent/company, the method of marketing, the market that is targeted, interest rates and the availability of credit at the time the property is marketed, the supply and demand of similar properties for sale/purchase at the time of sale, the perceived risk/market conditions, and possibly most importantly, the availability of typical due diligence information (such as an environmental study), at the time the property is marketed. In the subject case, the land is easily sub-dividable as an age restricted subdivision.

In reviewing sources for marketing time periods for the subject, Westholm and Associates examined discount rates for development land. PwC reviews national development land twice a year; the most recent being in the 4th Quarter 2017. Reviewing the 4th Quarter 2017 Report, the PwC indicates that the typical time that a property is on the market prior to selling ranges from six to thirty-six months, and averages sixteen months. Important to note that the PwC survey information reflects the nationwide conditions for marketing time. When considering the subject's neighborhood, Annapolis is a historically well-established residential area, meaning desirability to live in this area is high. For the potential subject subdivision, this could mean lot sales would experience a shorter marketing time period due to desirability to live in the City of Annapolis. Employment growth in the vicinity of the subject property is a significant factor, also. Annapolis and Anne Arundel County are benefitting from new jobs created as part of the establishment of the National U.S. Cyber Command headquarters at Fort Meade, which is approximately 25 minutes' drive time from the subject property. Fort Meade is now the center for cyber operations in the nation with the presence of U.S. Cyber Command, the National Security Agency (NSA) and the Defense Information Systems Agency (DISA). As a result of ongoing growth and relocations, it is expected that employment in the Fort Meade area will increase by 15,000 or more jobs in the next several years - with some estimates of up to 60,000 jobs added by 2022 - and over 65,000 current jobs. With the creation of such a major amount of new employment close by, it is reasonable to expect major development pressure for more residential development. Whether directly or indirectly, the subject property shall benefit from the combined facts/factors cited.

Based upon the preceding data, it is Westholm & Associates opinion that a marketing period not longer than one year is appropriate for the subject property, as of the effective date of value.

REASONABLE EXPOSURE TIME

Reasonable exposure time is defined by The Appraisal Standards Board of The Appraisal Foundation as follows:

The estimated length of time 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; a retrospective estimate based upon an analysis of past events and assuming a competitive and open market.

Reasonable exposure time is presumed to occur prior to the effective date of the evaluation. In addition, different types of properties can have varying exposure periods with longer periods associated with special purpose properties or at higher price ranges. The estimate of a reasonable exposure period can be based on an analysis based on: (1) statistical information about days on market; (2) history of comparable sales; or (3) interviews with market participants.

In estimating a reasonable exposure period for the subject property, consideration is given to the time periods experienced by similar use properties. As shown in the market reporting discussed in the Marketing Time Projection section of this appraisal report, the average national trend is sixteen months for developable land to be sold. Westholm and Associates opinion however is that due to the Annapolis area's historical trends of being a primarily residential area and, as well, the reasons cited for the marketing time projection, evidence supports a reasonable exposure time of no more than a year for the subject property.

The estimated value of the property is related to the exposure period for sale of the subject, as is. For the subject property, as is, an exposure period of twelve months or less is estimated to have occurred prior to the effective date of this analysis.

QUALIFICATIONS OF GARY T. WESTHOLM, MAI

EDUCATION

B. A. Degree, University of Baltimore, 1970

Continuing education through Appraisal Institute sponsored seminars and courses since 1971, including:

Condemnation Appraising: Basic Principles & Applications, 2003

Condemnation Appraising: Advanced Principles & Applications, 2003

Uniform Appraisal Standards for Federal Land Acquisitions, 2004, including 2016 update

Uniform Standards of Professional Appraisal Practice (USPAP), having taken both The 15-hour course and the 7 hour update several times each over many years

General Appraiser Market Analysis and Highest and Best Use

Valuation of Conservation Easements, 2011

PROFESSIONAL AFFILIATIONS

Member, Appraisal Institute (MAI designation, Member # 6578)

State of Maryland, Certified General Real Estate Appraiser, Registration # 04-498

State of Virginia, Certified General Real Estate Appraiser, No. 4001-006812

State of Delaware, Certified General Real Property Appraiser, No. X1-0000380

Maryland Licensed Real Estate Salesperson

States temporarily licensed as a Certified General Appraiser since 2005: Texas, Louisiana, Mississippi, Alabama, Georgia, Tennessee, Kentucky, West Virginia, Pennsylvania and Montana

EXPERIENCE

Forty (+) years' experience in appraisal of real estate

Thirty-five (+) years (+) experience as a licensed Real Estate Sales Associate

QUALIFIED EXPERT WITNESS AS AN APPRAISER

(*) And As a Planner on zoning/land use issues

U.S. Federal District Court for Maryland (*)

U.S. Federal Bankruptcy Court (*)

Property Review Boards: Anne Arundel, Charles, and St. Mary's Counties

Circuit Court: Anne Arundel (*), Charles, Howard, and St. Mary's Counties

Administrative Hearing Officer, Anne Arundel County (*)

Board of Appeals, Anne Arundel (*), Charles (*), Dorchester (*), Kent and Queen Anne's Counties (*)

Zoning Board of Appeals, City of Annapolis (*)

Planning and Zoning Commission, City of Annapolis (*) and Kent County

City Council, City of Annapolis (*)

Zoning Hearing Examiner, Prince George's County

District Court, Anne Arundel County

Liquor Boards for both the City of Annapolis and Anne Arundel County

UNDERLYING ASSUMPTIONS AND CONTINGENT CONDITIONS
(INCLUDING HYPOTHETICAL CONDITIONS)

In conducting this appraisal, your appraisers have assumed that:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report. The property is not subject to flood plain or utility restrictions or moratoriums, except as reported to your appraiser and contained in this report.
9. It is assumed that all required licenses, certificates of occupancy, consents, and 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 values estimate contained in this report are based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraisers. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of

substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired. Should any subsequent studies, research, or investigation reveal the presence of any potentially hazardous substance, this appraisal is **INVALID**.

12. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

13. Possession of this report, or a copy thereof, does not carry with it the right of publication.

14. The appraisers, by reason of this appraisal, are not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.

15. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identities of the appraisers, or the firms with which the appraisers are connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraisers.

16. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.

17. Unless stated otherwise, no percolation tests have been performed on this property. In making the appraisal, it has been assumed that the property is capable of passing such tests so as to be developable to its highest and best use, as discussed in this report.

18. The appraisal was prepared by the appraisers for the exclusive use of the client. The information and opinions contained in this appraisal set forth the appraisers' best judgment in light of the information available at the time of the preparation of this report. Any use of this appraisal by any other person or entity, or any reliance or decisions based on this appraisal are the sole responsibility and at the sole risk of the third party. The appraisers accept no responsibility for damages suffered by any third party as a result of reliance on or decisions made or actions taken based on this report.

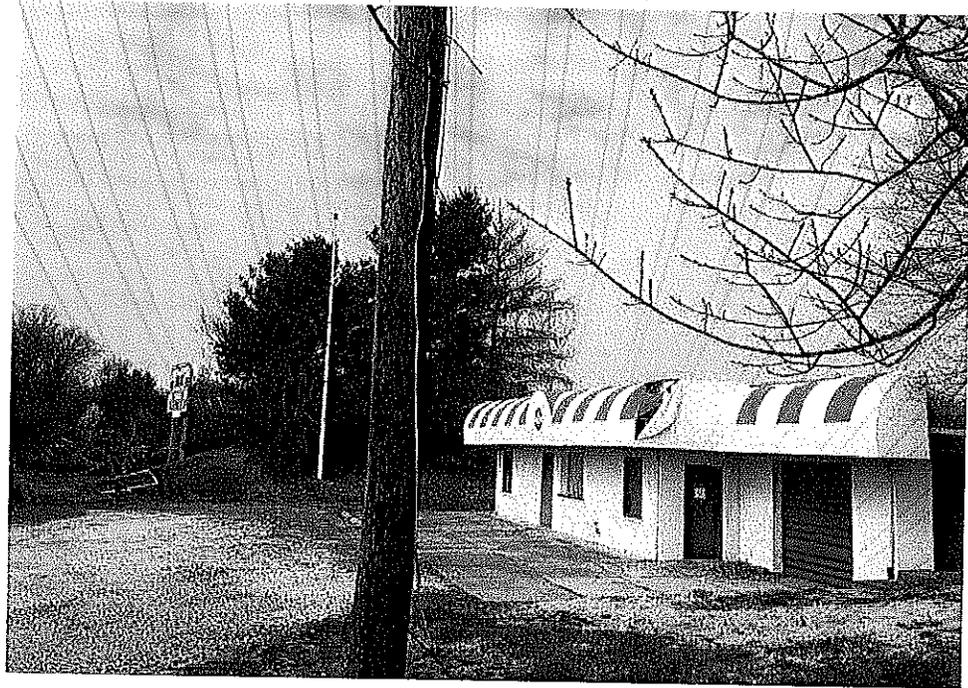
19. Westholm & Associates was not provided any recent Phase I or Phase II Environmental Site Assessments, which would indicate or suggest the presence of potentially toxic or otherwise environmentally hazardous contamination. During the inspection, Westholm & Associates did not observe any indications of potential toxic or hazardous materials or contamination. If there are concerns regarding potentially toxic or otherwise environmentally

hazardous contamination affecting the subject property, Westholm & Associates, recommends that a Phase I and/or Phase II Environmental Site Assessment be conducted on the subject property. Environmental contamination or the presence of hazardous conditions may significantly affect the fair market value of the subject property; therefore, Westholm & Associates, has made an Extraordinary Assumption that the subject property is free from any environmental hazards. If subsequent information is obtained indicating that this Extraordinary Assumption is incorrect, then this appraisal and any estimates of value may need to be qualified and/or amended.

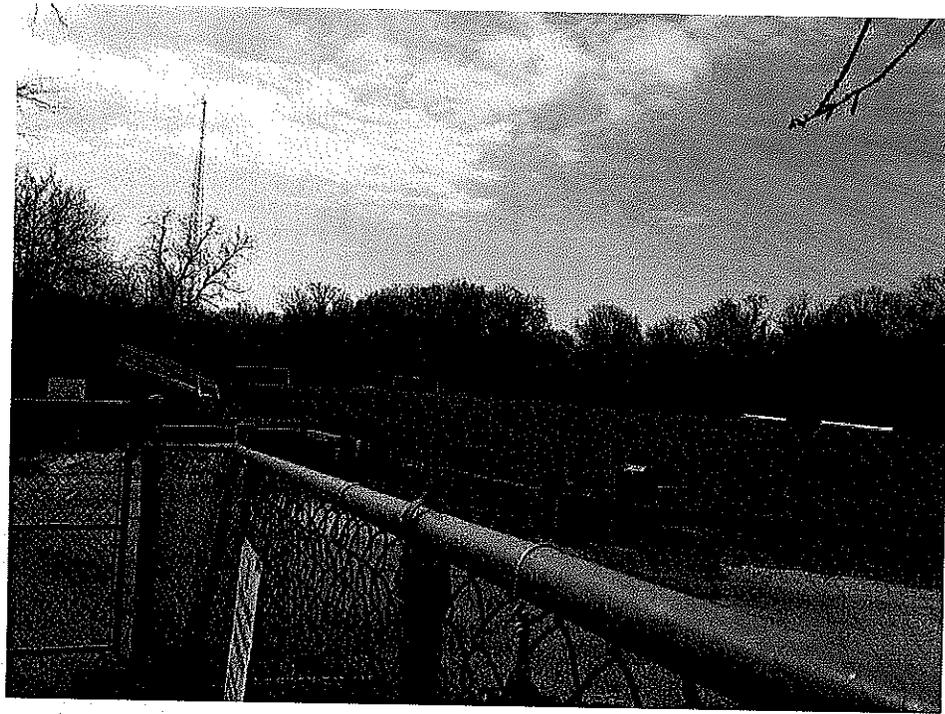
20. The Maryland Department of Assessments and Taxation tax account information indicates that subject Parcel No. 859 is 15.000 acres in land area and that subject Parcel No. 62 is 1.7700 acres in area. During the course of this appraisal assignment the City of Annapolis provided Westholm & Associates with (a) a survey made (by J.R. McCrone, Jr., Inc., surveyors and engineers, dated June 1956 indicating subject Parcel No. 859 to be 10.38 acres and (b) the coversheet of the Grading Permit Plan entitled "Department of Public Works Spa Road Facilities" By McCrone, dated July 24th, 2017) which indicates that the portion of Parcel No. 859 east of Spa Road is 8.24 acres, more or less. With no survey showing actual land area of Parcel No. 859 west of Spa Road, on a preliminary basis and by use of Merlin Online, Westholm & Associates estimates the size of Parcel No. 859 west of Spa Road to be 1.96 acres, more or less. No survey of subject Parcel No. 62 has been provided to Westholm & Associates. Based upon the preceding, recognizing that the 1956 survey indicates Spa Road to be within a 40' wide right of way but that in the last 60+ years the roadway has been widened, it is an Extraordinary Assumption of this appraisal report that subject Parcel No. 859 is 10.20 acres in land area (of which approximately 8.24 acres is located to the east of Spa Road and approximately 1.96 acres is located to the west of Spa Road) and that subject Parcel No. 62 is approximately 1.77 acres in land area. If subsequent information is obtained indicating that this Extraordinary Assumption is in significant error, then this appraisal and any estimates of value may need to be qualified and/or amended.

21. No detailed information has been provided to Westholm & Associates as related to the current City of Annapolis zoning(s) for the composite subject property. However, based upon (a) a review of the coversheet of the Grading Permit Plan entitled "Department of Public Works Spa Road Facilities" By McCrone, dated July 24th, 2017) and (b) a review of the City of Annapolis zoning maps online, the portion of subject Parcel No. 859 located east of Spa Road is split-zoned; with approximately 2.25 acres zoned R-3 and approximately 5.99 acres zoned R-2. Furthermore, based upon the aforesaid zoning maps, Westholm & Associates preliminarily estimates that approximately 3.25 acres of subject Parcel Nos. 859 and 62 located to the west of Spa Road is zoned R-2 and approximately 0.48 acres of subject Parcel Nos. 859 and 62 located to the west of Spa Road is zoned R-1. Therefore, it is an Extraordinary Assumption of this appraisal report that the land area and zonings cited herein are professionally accurate. If subsequent information is obtained indicating that this Extraordinary Assumption is in significant error, then this appraisal and any estimates of value may need to be qualified and/or amended.

22. As of the effective date of this appraisal report, the composite subject property had substantial building and site improvements, including a "service station" (gas pumping



Concession stand building on subject Eastern Parcel (near athletic field)



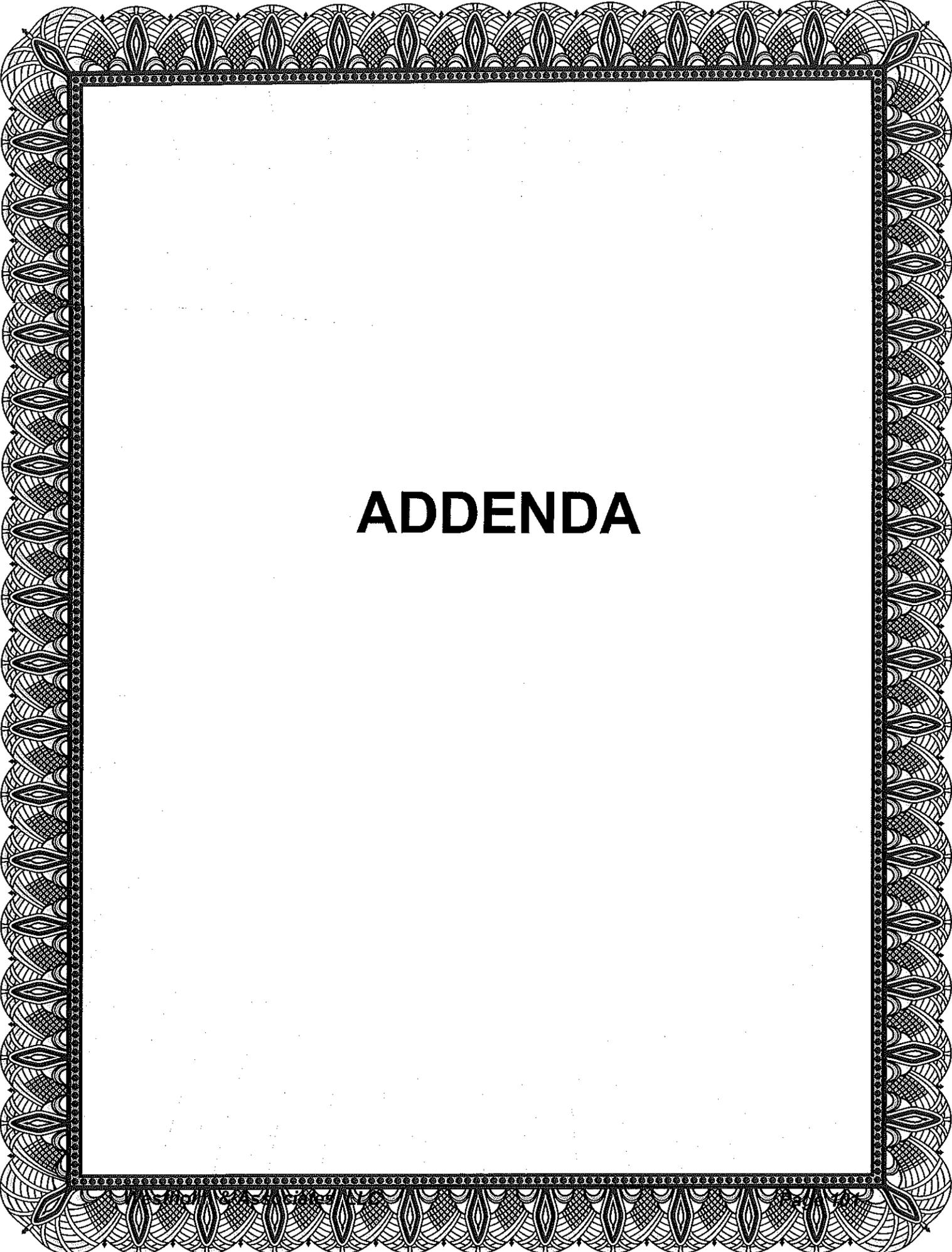
Athletic field area.



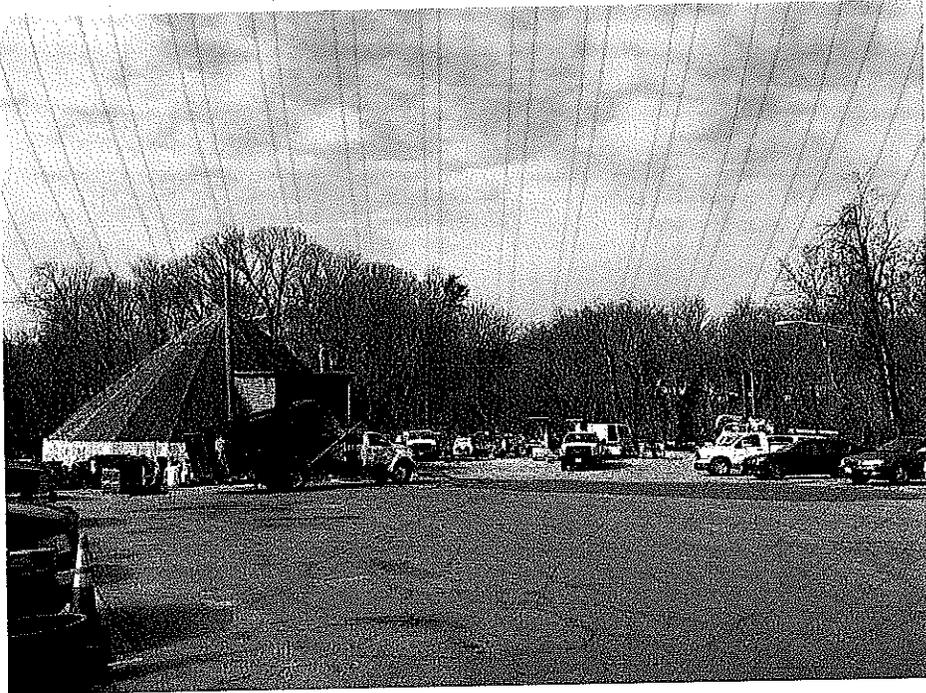
Fueling Station located on subject Eastern Parcel.



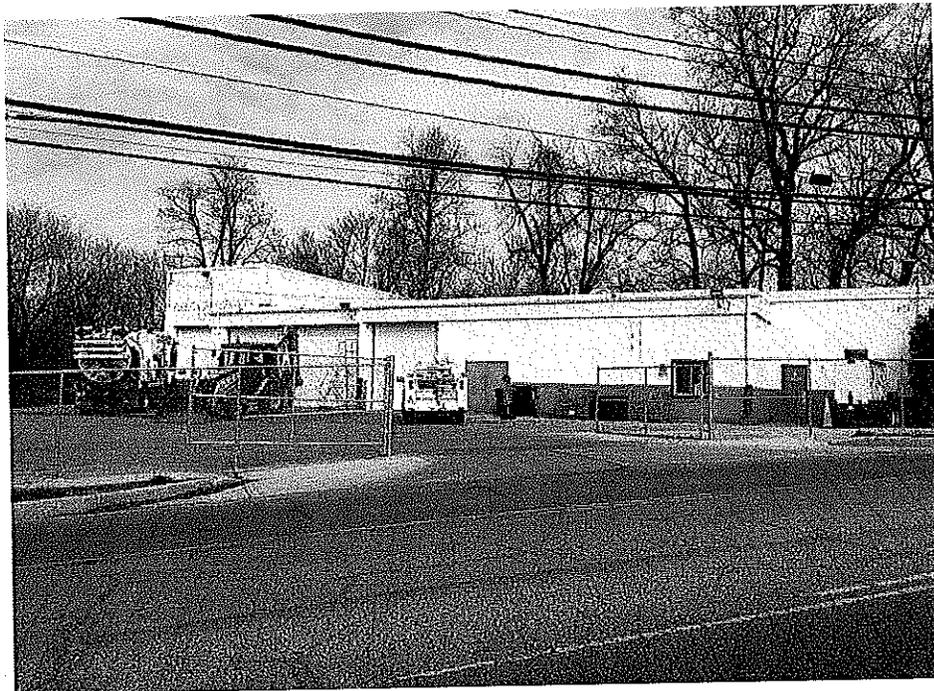
Part of now cleared area on subject Eastern Parcel.



ADDENDA



Part of improved area on subject Western Parcel.

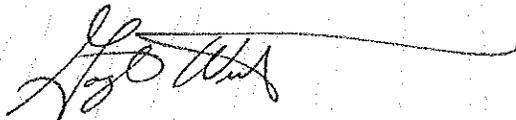


View of maintenance building on subject Western Parcel.

CERTIFICATION OF APPRAISER(S)

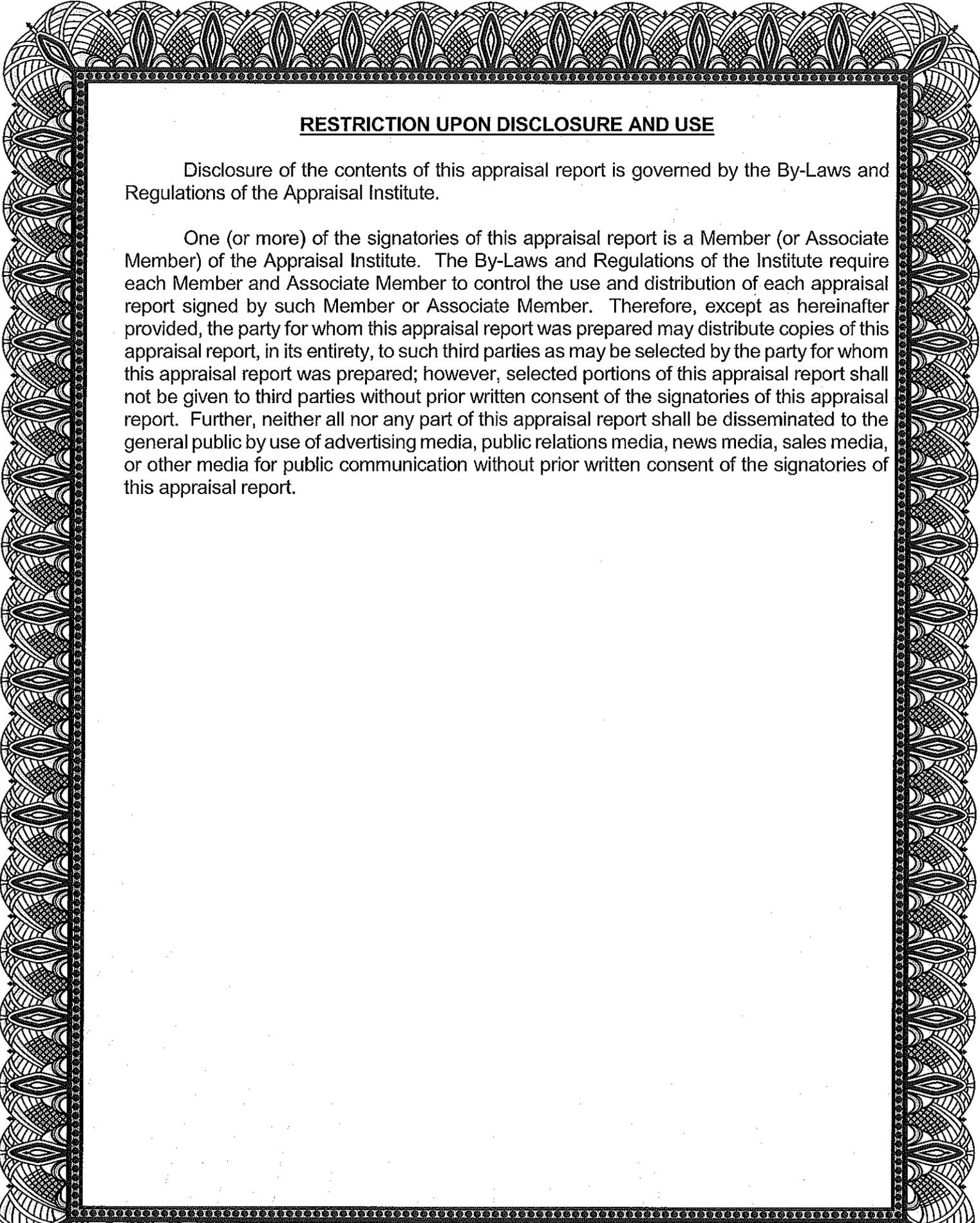
We certify that, to the best of our knowledge and belief....

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
- Our engagement in this assignment, including remuneration, was not contingent upon developing or reporting predetermined results, including (1) a requested minimum, (2) specific valuation or (3) the approval of any financing.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors that 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.
- Our 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 Appraisal Institute's *Code of Professional Ethics and Standards of Professional Appraisal Practice*, which includes the *Uniform Standards of Professional Appraisal Practice*.
- We have made a personal inspection of the property that is the subject of this report.
- We have not performed a previous appraisal of the subject property within the three years prior to this assignment.
- No other person provided significant professional assistance to the person signing this report.
- As of the date of this report, Gary T. Westholm has completed the requirements of the continuing education program of the Appraisal Institute.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.



Gary T. Westholm, MAI

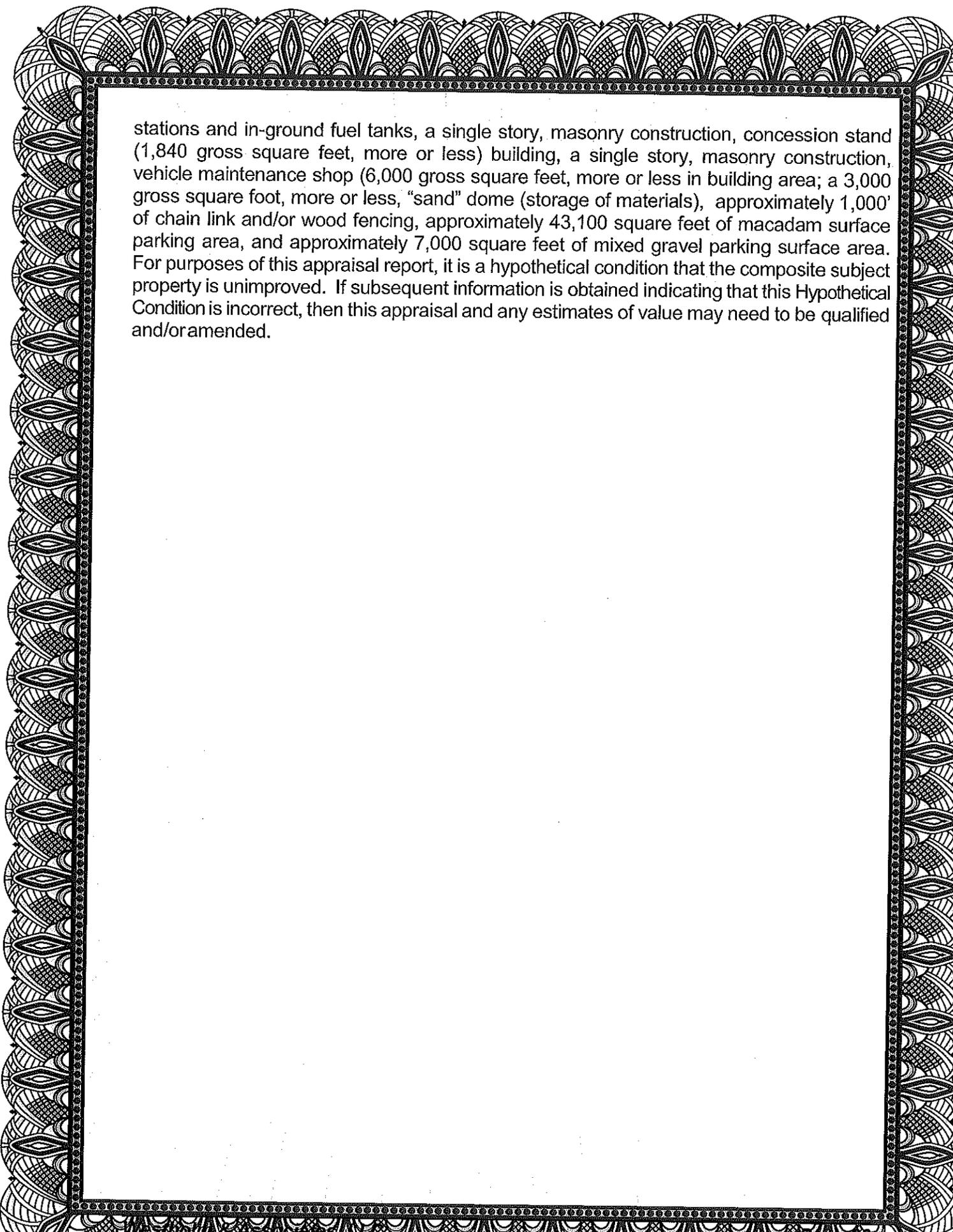
Date: May 24th, 2018



RESTRICTION UPON DISCLOSURE AND USE

Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

One (or more) of the signatories of this appraisal report is a Member (or Associate Member) of the Appraisal Institute. The By-Laws and Regulations of the Institute require each Member and Associate Member to control the use and distribution of each appraisal report signed by such Member or Associate Member. Therefore, except as hereinafter provided, the party for whom this appraisal report was prepared may distribute copies of this appraisal report, in its entirety, to such third parties as may be selected by the party for whom this appraisal report was prepared; however, selected portions of this appraisal report shall not be given to third parties without prior written consent of the signatories of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by use of advertising media, public relations media, news media, sales media, or other media for public communication without prior written consent of the signatories of this appraisal report.



stations and in-ground fuel tanks, a single story, masonry construction, concession stand (1,840 gross square feet, more or less) building, a single story, masonry construction, vehicle maintenance shop (6,000 gross square feet, more or less in building area; a 3,000 gross square foot, more or less, "sand" dome (storage of materials), approximately 1,000' of chain link and/or wood fencing, approximately 43,100 square feet of macadam surface parking area, and approximately 7,000 square feet of mixed gravel parking surface area. For purposes of this appraisal report, it is a hypothetical condition that the composite subject property is unimproved. If subsequent information is obtained indicating that this Hypothetical Condition is incorrect, then this appraisal and any estimates of value may need to be qualified and/or amended.



Area where some materials are kept on subject Eastern Parcel. (above and below)

